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NAVAL POSTGRADUATE SCHOOL

MONTEREY, CALIFORNIA

THESIS

CHINESE INFRASTRUCTURE IN SOUTH ASIA: A REALIST AND LIBERAL PERSPECTIVE

by

David P. Nicolas

December 2015

Thesis Advisor:
Second Reader:

Michael Glosny
S. Paul Kapur

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**CHINESE INFRASTRUCTURE IN SOUTH ASIA: A REALIST AND LIBERAL
PERSPECTIVE**

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Submitted in partial fulfillment of the
requirements for the degree of

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ABSTRACT

Since 2000, and with increased focus after the announcement of the One Belt, One Road initiative in 2015, China has led the development of a robust infrastructure program in South Asia. Despite being promoted by China as the creation of a win-win environment throughout the Indian Ocean region, realist scholars argue that China's motivations are to utilize this infrastructure to create overseas bases, threaten India's perceived sphere of influence, and increase Chinese influence by challenging the regional order. When viewed through a liberal lens, the initiative creates opportunities for common development, encourages multilateral growth, and addresses failures that current global and regional institutions have been unable to overcome. This thesis assesses both arguments and answers the question: Do China's motivations seem more consistent with a realist or liberal lens?

My research found that when assessed under a four-aspect framework that addresses the potential economic, geopolitical, and security-related effects of the initiative on South Asia, the liberal argument provided stronger evidence and produced a narrative more aligned with China's economic needs. By deciding through which lens to view China's motivations, great powers in the region can best assess how to address these programs and either challenge or support China.

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TABLE OF CONTENTS

I.	INTRODUCTION.....	1
A.	SIGNIFICANCE OF THE RESEARCH QUESTION.....	2
B.	LITERATURE REVIEW	4
1.	Defining the Realist and Liberal Lenses	4
2.	China’s Motivations through a Liberal and Realist Lens.....	6
3.	The Chinese Perspective.....	9
C.	RESEARCH DESIGN	10
D.	POTENTIAL EXPLANATIONS AND FINDINGS.....	11
E.	THESIS OVERVIEW AND CHAPTER OUTLINE.....	12
 II.	 CHINA’S PATH TO BELT AND ROAD.....	 13
A.	CHINA’S OBJECTIVES	14
B.	SOUTH ASIAN ROADS AND RAILWAYS: PAVING A PATH OUT OF CHINA	16
C.	SOUTH ASIAN PORTS: CHINA’S NEW GATEWAY TO THE WORLD	19
D.	BELT AND ROAD: MULTIPLE PROJECTS MERGE.....	20
E.	FOUR ASPECTS OF BELT AND ROAD’S SIGNIFICANCE TO SOUTH ASIA	24
F.	CONCLUSION: DEBATING BEIJING’S MOTIVATIONS	26
 III.	 A CASE FOR REALIST MOTIVATIONS.....	 29
A.	DEFINING REALISM.....	30
B.	BELT AND ROAD’S SIGNIFICANCE: A REALIST ARGUMENT	32
1.	Infrastructure Advances Only China’s Interests.....	33
2.	Infrastructure Provides Avenues of Influence for China.....	36
3.	Maritime Infrastructure Equals Overseas Basing.....	38
4.	Challenging International and Regional Institutions	41
C.	CONCLUSION	43
 IV.	 A CASE FOR LIBERAL MOTIVATIONS	 45
A.	DEFINING LIBERALISM	46
B.	BELT AND ROAD’S SIGNIFICANCE: A LIBERAL ARGUMENT	48
1.	What Is Good for China Is Good for South Asia.....	49
2.	Infrastructure: A Tie That Binds	51

3.	Maritime Infrastructure Does Not Equal Overseas Basing.....	54
4.	Changing of the Guard, Not a Changing of the System	57
C.	CONCLUSION	60
V.	ASSESSING THE ARGUMENTS	63
A.	DOES INFRASTRUCTURE ONLY ADVANCE CHINA’S NATIONAL INTERESTS?.....	63
B.	HOW INFLUENTIAL DOES BELT AND ROAD MAKE CHINA IN SOUTH ASIA?	65
C.	WHAT IS THE PURPOSE OF THE PORTS?.....	66
D.	IS CHINA CHALLENGING THE EXISTING INTERNATIONAL AND REGIONAL ECONOMIC ORDER?	67
E.	CONCLUSION	69
VI.	CONCLUSION	71
A.	REVIEW OF THE FINDINGS	71
1.	Does Infrastructure Only Advance China’s National Interest?	72
2.	How Influential Does Belt and Road Make China in South Asia?	73
3.	How Credible Is the “String of Pearls” Theory?	73
4.	Is China Challenging the Existing International and Regional Economic Order in South Asia?	74
B.	EVENTS THAT MIGHT ALTER THESE FINDINGS	74
C.	MOVING FORWARD: HOW SHOULD SOUTH ASIA AND THE UNITED STATES REACT TO BELT AND ROAD?	75
	LIST OF REFERENCES	79
	INITIAL DISTRIBUTION LIST	89

LIST OF FIGURES

Figure 1.	Chinese “Pearls”	39
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LIST OF ACRONYMS AND ABBREVIATIONS

ADB	Asia Development Bank
AIIB	Asian Infrastructure Investment Bank
APEC	Asia Pacific Economic Cooperation
BCIM	Bangladesh-China-India-Myanmar Forum for Regional Cooperation
CPEC	Chinese-Pakistan Economic Corridor
IMF	International Monetary Fund
KKH	Karakoram Highway
MDB	Multilateral Development Bank
OBOR	One Belt, One Road Initiative (Belt and Road)
PLAN	People's Liberation Army Navy
PRC	People's Republic of China
PSA	Port of Singapore Authority
SAARC	South Asian Association for Regional Cooperation
SA-IOR	South Asia–Indian Ocean Region
SRF	Silk Road Fund

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I. INTRODUCTION

The One Belt, One Road initiative (OBOR or Belt and Road) was introduced by the Chinese government in 2015. The initiative increases China's economic ties within the South Asia–Indian Ocean Region (SA-IOR) by merging previous infrastructure projects: the 21st Century Maritime Silk Road and the New Silk Road Economic Belt, both of which were proposed in 2013.¹ Through this new strategy, China looks to develop closer relationships with its South Asian neighbors in order to promote a win-win environment through infrastructure advances and stronger trade relations.² Belt and Road continues a legacy of more than 10 years of Chinese-led projects throughout South Asia and is proof of a new focus and enhanced investment in the region.

As China continues to deepen these economic relations behind the OBOR initiative, liberal theorists argue that Beijing is seeking to create a positive sum game in which China and its South Asian neighbors mutually benefit through increased trade capabilities, stronger financial institutions, and multilateral economic corridors. Nevertheless, realists argue that Beijing is utilizing this strategy to develop regional dominance, challenge the current regional order, and create opportunities for overseas basing throughout the Indian Ocean basin. This thesis assesses both arguments and answers the question: Do China's motivations seem more consistent with a realist or liberal lens?

In doing so, I utilized a common framework for both lenses that assessed China's motivations through four aspects of Belt and Road's perceived effect on South Asia. The four aspects sought to review the political, economic, and security issues surrounding the program by addressing the following questions: Does Belt and Road only advance China's national interests? How influential does Belt and Road make China in South Asia? What is the possibility of the militarization of Chinese-constructed maritime

¹ "Chronology of China's 'Belt and Road' Initiatives," *Xinhuanet*, February 5, 2015, http://news.xinhuanet.com/english/china/2015-02/05/c_133972101.htm.

² Yun Sun, "Inserting Africa Into China's One Belt, One Road Strategy: A New Opportunity for Jobs and Infrastructure?," Brookings Institute, March 2, 2015, <http://www.brookings.edu/blogs/africa-in-focus/posts/2015/03/02-africa-china-jobs-infrastructure-sun>.

infrastructure? Is China challenging the existing global and regional economic order?

Overall, my research concluded that in each of the four aspects the liberal lens provides stronger evidence, while the realist lens is rooted primarily in speculation. Coupled with the belief that the initiative is, as Beijing promises, designed to increase economic growth both in and around China, the liberal lens provides a more rational and better-supported answer to the question concerning China's motivations. Through the four-aspect framework, I found little evidence demonstrating that infrastructure advances a Sino-centric agenda, creates market dependencies for smaller states, provides the possibility for overseas bases, or promotes multilateral development banks that challenge western-led institutions.

A. SIGNIFICANCE OF THE RESEARCH QUESTION

Over the past 15 years, but greatly increasing since President Xi Jinping's arrival in office in 2012 and his introduction of the 21st Century Maritime Silk Road and New Silk Road Economic Belt the following year, China has initiated a robust transportation and trade related infrastructure development program throughout South Asia. For China, the South Asian states, and the United States, the strategy has great significance in their collective and individual economic, strategic, and geopolitical future. By deciding through which lens to view China's recent involvement, the United States and its South Asian allies can craft a response that will either challenge or encourage China to remain within the global norms and institutions previously established. Until the South Asian community understands China's motivations, it cannot respond appropriately.

In China's case, the significance is the potential for tremendous economic gain, positive political influence, and increased border security. Seeking to create a win-win situation that enhances the fiscal capacity of its South Asian neighbors, Beijing claims that its peaceful rise, through programs such as OBOR, is an opportunity to demonstrate its ability to act as a responsible great power in both economic and political leadership roles.³ In addition, China views the South Asian investment as a chance to stabilize its

3 Wang Jisi. "Marching Westwards": The Rebalancing of China's Geostrategy," *International and Strategic Studies* 73 (2012): 8, <http://www.iiss.pku.edu.cn/Article.aspx?id=f88ecabd-29d7-4f13-9b35-e0de05a74679>.

borders and develop its western states. In concert with Beijing's Western Development Strategy, a domestic policy adopted in 2000 to promote growth in China's lagging western regions and provinces, the OBOR strategy seeks to enact a foreign policy strategy to complement and build on the domestic program's success. Through trade relations with partners in South and Central Asia, China observed a growth in volume of 30-fold from 2001 to 2011.⁴ The continuation of these efforts under OBOR has the potential to fuel development, and in turn, stabilize China's western regions and provinces, previously hindered by ethnic separatism and religious extremism.⁵

Of course, while the significance to China is greater economic opportunities, political prowess, and national security, the significance to the region is the emergence of either an economically lucrative and powerful ally, as seen through a liberal lens, or, when viewed through a realist lens, a dominating and challenging force. Until Beijing's arrival, the India-Pakistan rivalry dominated foreign relations within South Asia. The introduction of a new great and rising power changes the dynamics of the half-century struggle through new alliances and economic claims set to be drawn.

From New Delhi's perspective, Beijing's increasing trade agreements and promises of advanced infrastructure for the surrounding South Asian states creates deep fears about China's motivations. With tensions already strained between the two states from previous military engagements over border issues, many Indians view China's actions as a "creeping encirclement" and a challenge to India's South Asian sphere of influence.⁶ Nevertheless, a recent proposal for a Bangladesh-China-India-Myanmar Economic Cooperation (BCIM) shows the possibility that India might be reconsidering its theories on Beijing's realist motivations.⁷

For the smaller players in the region—Pakistan, Sri Lanka, Bangladesh, and Myanmar—the arrival of Chinese wealth and construction capacity means the elimination

4 Wang Jisi. "Marching Westwards," 3.

5 Ibid., 4.

6 John W. Garver, "The Diplomacy of a Rising China in South Asia," *Orbis* 56, no. 3 (2012): 392.

7 Manish Vaid and Tridivesh Singh Maini, "BCIM: Can India Be a Driving Force?," *Diplomat*, January 01, 2015, <http://thediplomat.com/2015/01/bcim-can-india-be-a-driving-force/>.

of previous bottlenecks in economic development.⁸ An influx in capital and resources provides not only new infrastructure but also a powerful ally for these weaker states. Nevertheless, if viewed through a realist lens, these same actions create market dependencies that might limit the sovereignty of these states.

In addition, due to America's continued interest in the region, Beijing's actions in South Asia and the Indian Ocean basin makes one question if this is a desire to challenge Washington's influence. In addition to the creation of new Chinese-led financial institutions that test the regional economic order, U.S. naval strategists fear Chinese expansion is motivated by a desire to create a "String of Pearls," strategically placed naval bases throughout the Indian Ocean.⁹ While China's intentions concerning maritime strategy remain unclear, the debate over Beijing's motives drive American policy to expend the resources needed to monitor Chinese actions and develop relationships within the region, specifically closer ties with India, to counter any future threat to U.S. maritime security or economic opportunities in the SA-IOR.

B. LITERATURE REVIEW

Previous literature on this topic is divided into three categories: broader discussions on the realist and liberal schools within International Relations, analysis of China's economic and infrastructure within South Asia, and public statements by the Chinese government and media outlets. I utilized each category to define the realist and liberal lenses and create the framework to assess them.

1. Defining the Realist and Liberal Lenses

Realist theorists see the world as an anarchical state of affairs in which states vie for power under the assumption that all international relations are a great zero-sum

8 Keith Johnson, "China, Sri Lanka, and the Maritime Great Game," *Foreign Policy*, February 12, 2015, <http://foreignpolicy.com/2015/02/12/china-sri-lanka-and-the-maritime-great-game-silk-road-xi-port/>.

9 Johnson, "China, Sri Lanka, and the Maritime Great Game"; Jeff M. Smith, "Beware China's Grand Strategy: How Obama Can Set the Right Red Lines," *Foreign Affairs*, May 20, 2015, <https://www.foreignaffairs.com/articles/china/2015-05-20/beware-chinas-grand-strategy>.

game.¹⁰ As Stephen M. Walt summarizes, “[Realism] depicts international affairs as a struggle for power among self-interested states and is generally pessimistic about the prospects for eliminating conflict and war.”¹¹ Yet, under the realist umbrella, different interpretations of a state’s actions produce variations to the classical theory, and these interpretations, as I will briefly discuss, provide differing perspectives on a state’s motivations.

Defensive realists like Kenneth Waltz concur that the anarchical world is a power struggle among self-interested states, but argue that states do not seek to maximize authority, and instead look to “maintain their position in the system.”¹² As a result, states often look to balance against, and not bandwagon with, powerful states because increased supremacy does not guarantee security.¹³ Offensive realists, such as John Mearsheimer, argue that great powers are continuously seeking authority and security in a zero-sum game. In addition, these states fear other great powers and maintain a goal of regional hegemony, to be the lone great power in a region.¹⁴ Once states become a regional hegemony, they seek to create competition among other potential regional hegemonies to eliminate the possibility of “peer competitors.”¹⁵ When these tenets are operationalized, the difference lies in the decision to engage in behavior that either maximizes power or maintains security. These differing interpretations present concepts such as “Phase Zero Operations” and “road diplomacy,” which will be addressed in following chapters.

Where realism defines the world as an anarchical power grab, liberalism offers theories that promotes the interdependence of states through economic exchange, global

10 Thomas G. Moore, “Racing to Integrate, or Cooperating to Compete? Liberal and Realist Interpretations of China’s New Multilateralism,” in Guoguang Wu and Helen Lansdowne, eds., *China Turns to Multilateralism: Foreign Policy and Regional Security* (London and New York: Routledge, 2008), 37.

11 Stephen M. Walt, “International Relations: One World, Many Theories,” *Foreign Policy*, no. 110 (Spring 1998), pp. 31.

12 Kenneth Waltz, *Theory of International Politics* (New York: McGraw-Hill Publishing, 1979), 126.

13 Waltz, *Theory of International Politics*, 126.

14 John J. Mearsheimer, *The Tragedy of Great Power Politics* (New York: W.W. Norton & Company, 2001), 29–32; John J. Mearsheimer, “Better to Be Godzilla than Bambi,” *Foreign Policy* 146 (Jan/Feb 2005): 48.

15 Mearsheimer, “Better to Be Godzilla than Bambi,” 48.

institutions, and societal norms. A key distinction between realism and liberalism is the realist view that global interactions are zero-sum and the liberal belief that global interdependence encourages positive-sum interactions between states.

As defined by Robert O. Keohane and Joseph S. Nye, “interdependence affects world politics and the behavior of states...by creating or accepting procedures, rules, or institutions for certain kinds of activity, governments regulate and control transnational and interstate relations.”¹⁶ Similar to concepts presented by President Woodrow Wilson at the end of the WWI in the form of the League of Nations, and implemented by Presidents Franklin Roosevelt and President Harry Truman when developing a post-world order after WWII, these ideas describe a system in which globalization unites states both economically and diplomatically. Through this interdependence, states operate under a theory of comparative advantage in which growth is measured in terms of win-win solutions.

Under the liberal school of thought, three aspects best define the lens used to view Beijing’s motivations: first, interdependency places binding constraints on a state’s behavior; second, the demonstration of a state’s commitment to the international community is displayed by its desire to seek out and engage international governmental organizations; and third, the development of new leadership within a global community does not constitute a complete revisionist agenda. These points are addressed in the works of Andrew Moravcsik, Justin S. Hempso-Jones, and John G. Ikenberry, respectively and will be discussed in greater detail in Chapter IV.

2. China’s Motivations through a Liberal and Realist Lens

When viewing the effects of the OBOR strategy through a realist or liberal lens, Beijing’s motives are framed in one of two ways: China is intent on developing an economic system that promotes mutual economic success for all South Asian states, or the Middle Kingdom is looking to establish a regional hegemony and draw South Asia into its sphere of influence. With a general acceptance among scholars that China’s rise is

¹⁶ Robert O. Keohane and Joseph S. Nye, Jr., *Power and Interdependence*, 4th ed. (Boston: Longman, 2012), 5.

significant and affecting the international order, other authors have attempted to explain China's aspirations through a lens that measures either China's acceptance to current institutions and global norms or desire to compete. Building on these arguments, I will assess Beijing's motives by focusing on the level of economic interdependence and equality of the pro-sum system for all South Asian states in the OBOR structure.

In a similar argument, Thomas Moore asks how the world can best interpret China's rush to integrate itself into the multilateral world?¹⁷ Framing Chinese growth through an integration versus competition model, Moore argues both sides of the debate by providing a liberal and realist perspective. In favor of liberalism, he points to China's "pursuit of institutionalized cooperation" as evidence of Beijing's desire to work within the confines of the world order to promote cooperation and multilateral growth.¹⁸ The realist perspective counters this argument by concluding that China's interest in multilateralism is for the purpose of gaining "coercive power and political influence."¹⁹ While Moore's use of realist and liberal lenses to analyze China's integration into global institutions is similar, my research seeks to use these lenses to analyze China's infrastructure developments in South Asia by assessing the projects' ability to advance Chinese national interests, bind China and its neighbors economically and politically, create overseas bases, and reform regional and global institutions.

Additional literature that analyzes different aspects of China's behavior, but under a strictly liberal lens, points to Beijing's incorporation into established global institutions as proof of the state's desire to accept international norms.²⁰ John Ikenberry concludes that China is utilizing the current global institutions to advance its interest. He argues that Beijing's recent success demonstrates both to itself and to the rest of the world that there is not a need to deviate from "the rules and institutions of international order."²¹ A

17 Moore, "Racing to Integrate, or Cooperating to Compete?," 48.

18 Ibid., 36.

19 Ibid., 48.

20 Ibid.

21 G. John Ikenberry, "The Rise of China, the United States, and the Future of the Liberal International Order." In David Shambaugh, eds., *Tangled Titans: The United States and China* (New York: Rowman and Littlefield Publishers, 2013): 71.

discussion on China's ability to operate within global institutions and norms is necessary to conclude liberal motivations behind the OBOR strategy. A failure by China to remain with these norms could indicate a desire to turn OBOR growth into a tool for regional dominance.

Unlike liberal theorists, realists argue that China's actions are only the beginning of greater aspirations. Where liberals believe that Beijing's turn toward multilateralism are indicative of its foreign policy, realists argue that these developments are simply precursors that lead to regional hegemony as power and influence increase. The development of infrastructure and trade agreements with weaker and less influential states places China in a position to dictate economic and political policy within South Asia. As Mearsheimer concludes, "[China's] ultimate aim is to be the hegemon—the only great power in the system...China is likely to try to dominate Asia the way the United States dominates the Western Hemisphere."²²

Additionally, China recognizes that India, the world's largest democracy, is the only nation capable of threatening its hegemonic aspirations in South Asia. Realists, along with Indian leaders, argue that Chinese-built infrastructure is strategically placed to flank India's borders.²³ Should Beijing choose, all previously designated commercial ports would have the capacity to act as naval bases in key strategic locations.

Where Ikenberry and Mearsheimer utilize a clear liberal or realist lens, John Garver, Elizabeth Economy, M. Taylor Fravel, Jonathan Holslag, and Robert Sutter fall on a middle ground when defining Chinese motivations in a liberal or realist context. Much of this literature depicts an expanding China that is seeking greater significance and opportunity outside of its borders. Unlike the extreme realist or liberal views that see China either aggressively seeking hegemonic status or promoting global interdependence, these authors see China's rise as an attempt to challenge pre-conceived notions of American dominance and look to develop a path to leadership within the current order.

²² Mearsheimer, "Better to Be Godzilla than Bambi," 48.

²³ Garver, "The Diplomacy of a Rising China in South Asia," 392.

Arguments presented by Holslag, Garver, and Economy, see the development of Chinese-funded infrastructure to be part of a deliberate strategy to utilize market opportunities for regional growth. While Holslag and Economy acknowledge China's self-proclaimed liberal motivations, all three authors provide similar realist conclusions arguing that China's intentions are to maximize interdependence opportunities to increase regional influence.²⁴

Leaning more toward a liberal lens, Fravel and Sutter argue that China's dependence on an economic positive sum strategy continues to drive Beijing's motivations.²⁵ While both recognize that China's rise will demand greater influence in global, and more specifically South Asian, affairs, their interpretations promote a need for China to continue with an interdependent, win-win strategy, and therefore refrain from realist motivations.

3. The Chinese Perspective

The final group contains literature from Chinese officials and media outlets. The central piece of documentation released by the Chinese government is the OBOR strategy paper, titled "Vision and Actions on Jointly Building Silk Road Economic Belt and 21st Century Maritime Silk Road." Released by the PRC in March 2015, this document outlines the principles and framework of Belt and Road by presenting China's desires and intentions for the project. Highlighting a desire for "peace, development, cooperation and mutual benefit," the paper lacks specific details on future project and relies on lofty rhetoric to promote the strategy.²⁶

24 Elizabeth Economy, "The End of the 'Peaceful Rise'?", *Foreign Policy*, November 28, 2010, <http://foreignpolicy.com/2010/11/28/the-end-of-the-peaceful-rise/>; Garver, "The Diplomacy of a Rising China in South Asia"; Jonathan Holslag, "China's Roads to Influence." *Asian Survey* 50, no. 4 (July/Aug 2004).

25 M. Taylor Fravel, "International Relations Theory and China's Rise: Assessing China's Potential for Territorial Expansion," *International Studies Review* 12 (2010), 526; Robert G. Sutter, *Chinese Foreign Relations: Powers and Policy Since the Cold War*, Kindle ed. (New York: Rowman and Littlefield Publishers, 2012), 2.

26 "Vision and Actions on Jointly Building Silk Road Economic Belt and 21st Century Maritime Silk Road." Issued by the People's Republic of China's National Development and Reform Commission, Ministry of Foreign Affairs, and Ministry of Commerce of the People's Republic of China, March 2015, http://en.ndrc.gov.cn/newsrelease/201503/t20150330_669367.html.

In a study of Chinese media available on the Open Source Center, I found that Beijing maintains that China seeks a peaceful rise in economic growth and regional influence. According to a recent article in the Beijing newspaper, *Caixin Wang*, the “One Belt, One Road” strategy is China’s attempt to “promote regional economic cooperation” and “shoulder its responsibilities to the international economic system.” Arguing that developments in South Asia do not challenge U.S. actions in the Pacific, Chinese media heavily promotes a plan to “reform” the current international system, not “challenge” it.²⁷ Similar articles reporting on conversations with Chinese officials echo these statements and quotes leaders as stating that Beijing’s multilateral economic integration plans “bring about peaceful coexistence and win-win cooperation between people and people, nation and nation.”²⁸ In addition, officials believe that these programs promote peace and national security among the involved states. Without a hint of realist motivation, reports from China provide multiple examples of a desire for interdependence. In addition to the documents from the PRC, all of these resources will be addressed further in the Chapter II.

C. RESEARCH DESIGN

In order to create a framework that impartially assessed China’s motivations through both a realist and liberal lens, I selected four aspects of Belt and Road’s effect on South Asia to create four points of continuity throughout the thesis. The aspects were chosen in order to address the combined economic, geopolitical, and strategic effects of the OBOR initiative. They are: (1) the ability of Belt and Road to advance China’s national interests throughout the region, (2) bind China and its neighbors politically and economically, (3) create possible overseas bases, and (4) challenge current financial institutions and the regional order within South Asia. As a result, my research focused on addressing these four aspects, with a chapter devoted to each the realist and liberal argument, in order to build a case for each lens.

27 Huang Yiping, “Keys to the ‘Belt and Road’ Strategy Succeeding,” *Caixin Wang*, February 11, 2015, <http://english.caixin.com/2015-02-11/100783371.html>.

28 “PRC Central International Official Sees Silk Road Economic Belt Help Promote Economic Integration,” *Nanfang Zhoumo*, September 25, 2014, https://www.opensource.gov/portal/server.pt/gateway/PTARGS_0_0_200_203_121123_43/content/Display/CHR2014092520492417#index=1&searchKey=21034602&rpp=25.

In the process, I examined previous, current, and proposed infrastructure projects and economic relationships between China and the following South Asian states: India, Pakistan, Bangladesh, Sri Lanka, and Myanmar. These states were selected on their significance in the region, the presence of Chinese-led infrastructure projects within their borders, and/or evidence of economic relations between China and the state. After presenting a case for both lens under each of the four aspects, I considered the strength of each argument to assess Beijing's motivations.

D. POTENTIAL EXPLANATIONS AND FINDINGS

The literature presents two potential explanations behind China's motivations in South Asia. As discussed, each explanation is framed by a liberal or realist lens that seeks to predict if Beijing's intentions are based on mutual economic development or a path to creating a sphere of influence around South Asia.

Most liberals point to China's desire to operate inside the current global institutions as evidence of a peaceful rise. Yet, realists argue that China's peaceful rise is only temporary and its policy is far more aggressive below the surface. In addition, where liberal theorist point to China's infrastructure programs as the reason for a rise in regional, economic partnerships, realist argue that China is creating opportunities for overseas basing and regional dominance throughout the Indian Ocean basin.

My research found that China's motivations are more consistent with a liberal interpretation in each of the four aspects. Belt and Road and similar projects have indeed created an environment that promotes win-win relationships, encourages involvement in multilateral institutions that mirror current regional institutions, and limits China's ability to dictate regional policy. Furthermore, I found little evidence to support the notion that Beijing is attempting to develop overseas bases for military use. Overall, the realist argument appears to be too rooted in speculation that falsely links evidence to realist motivations. As a result, there is more evidence at this time to support a liberal view of China's motivations behind the Belt and Road Initiative.

E. THESIS OVERVIEW AND CHAPTER OUTLINE

This thesis is separated into six chapters. Following the Introduction, Chapter II provides background information on the OBOR strategy and documents China's infrastructure development within South Asia over the past 15 years. In addition, I introduce the four aspects that make up the framework of the thesis.

The Chapters III and IV assess these actions and attempt to explain Beijing's motivations based on a realist and liberal interpretation. Each chapter will present the material under a separate school of thought, beginning with realism in Chapter III and liberalism in the fourth. I will provide a brief background on the school of thought before interpreting Beijing's motives by utilizing the four-aspect framework.

The Chapter V is my assessment of the material and interpretation of China's motivation behind the OBOR strategy in South Asia. In the conclusion, Chapter VI, I summarize my findings and discuss the significance of these actions on South Asian relations and United States foreign policy while also addressing potential events that could alter my conclusion.

II. CHINA'S PATH TO BELT AND ROAD

During a state visit to Pakistan in April 2015, Xi Jinping, President of the People's Republic of China, wagered \$46 billion on the geostrategic significance of Pakistan, and subsequently, South Asia. Believing the sub-continent to be the focal point of China's recently announced One Belt One Road initiative, Xi proclaimed, "South Asia is where the land and maritime Silk Roads meet."²⁹ With Belt and Road taking center stage as China's premier diplomatic strategy for the development of Asian economies, the gamble on the South Asian region marks the continuation of a unique relationship between the rising power and its neighbors to the southwest. Or as Xi proclaimed in front of the Parliament of Pakistan, "The initiative of building a Silk Road Economic Belt and a 21st Century Maritime Silk Road [the Belt and Road initiative] that China has launched is a significant move to fully open up itself under the new conditions. This initiative also reflects China's commitment to sharing development opportunities and outcomes with more countries."³⁰

Nevertheless, the announcement of China's recent infrastructure investment is far from the initial step in China's desire to connect itself with South Asia through an expansive system of transportation infrastructure. Since the first section of the Karakoram Highway (KKH) was cut through the mountain range of the same name, Beijing has sought to develop ports, roadways, and railways to integrate itself with the region. As was recognized in 1964, the year that marked the beginning of the KKH, these projects provide a vehicle to connect China both economically and politically with its neighbors.

Today, the Belt and Road initiative is new evidence of an enhanced investment in a long legacy of Chinese-led projects throughout South Asia. Since 2000, Beijing has been laying the groundwork for a regional infrastructure program that is centered on connecting China to the South Asian subcontinent via Chinese-developed transportation

29 "Building a China-Pakistan Community of Shared Destiny to Pursue Closer Win-Win Cooperation," Ministry of Foreign Affairs of the People's Republic of China, April 21, 2015, http://www.fmprc.gov.cn/mfa_eng/wjdt_665385/zyjh_665391/t1257158.shtml.

30 Ibid.

infrastructure. With Beijing utilizing South Asia as an economic hub to the world market, the recent Chinese-led infrastructure projects are opportunities for Beijing to promote economic corridors through trade and the movement of resources in and out of China. As a result, under Belt and Road, Beijing is ushering in the next phase in China's economic opening and codifying all previous infrastructure programs within South Asia.

This chapter conducts a review of significant Chinese-led infrastructure development in South Asia since 2000 and its connection to the recently announced Belt and Road initiative. After discussing previous projects and corresponding theories, the subsequent sections will review the progress and significance of Belt and Road and the economic institutions designed to support the program. In addition, I will discuss how these projects explain the spread of Sino-centric patterns, China's new economic corridors, the "String of Pearls" theory, and the effects of these projects on the region. Finally, I will conclude by briefly summarizing Beijing's possible motivations for this initiative under the lenses of both the realist and liberal schools of thought, which will be explored in greater detail in the following chapters.

A. CHINA'S OBJECTIVES

Before exploring the specifics of the previous infrastructure projects and the current Belt and Road initiative, first, I must discuss the broader significance of these ventures. In doing so, there are two questions to be explored: what are China's needs and objectives in South Asia, and by investing in South Asian infrastructure, how is China benefiting? Beginning with the former, I will start by addressing two topics: Beijing's stated intentions and Beijing's economic needs.

Since the PRC's first attempt to pacify the fears of its Asian neighbors at the Bandung Conference in 1955, Beijing has consistently maintained a peaceful declaration to assist in the development of the global community. Referred to as the Five Principles of Peaceful Coexistence, this rhetoric promotes messages of equal growth, respect for sovereignty, and win-win cooperation. As recently seen in the opening paragraph of the Belt and Road statement, released on March 28, 2015, the paper connects the initiative to the spirit of the historic Silk Road's "peace and cooperation, openness and inclusiveness,

mutual learning and mutual benefit.”³¹ Falling in line with previous public policy, this document again demonstrates how Beijing has taken great strides to promote an image to its Asian neighbors that Chinese assistance leads to Asian advancement. As will be demonstrated in subsequent sections of this chapter that discuss the significance of certain projects, the development of critical infrastructure has the ability to unite China to its neighbors through both economic ties and a show of good-will and support.

Nevertheless, what China says and what China needs can present two starkly different interpretations. As the Chinese economy moves from a developing to developed state or production based market to a service based market, the process presents a need for Beijing to look outward. Where in the past, Chinese Gross Domestic Profit (GDP) has been anchored by the country’s exports, recent statements by public officials, including Chinese President Xi Jinping, indicate a desire to shift to a GDP supported by domestic consumption.³² To allow for this shift, which will result in a greater demand for outside goods and natural resources, Beijing is seeking opportunities to open additional routes to receive these goods and resources.

In addition, the proposed infrastructure provides benefits to traditionally poor areas throughout China. With many of the proposed Belt and Road projects connecting China’s poor western regions to both China’s wealthy eastern coast and neighboring states, officials believe that the financial influx to the western provinces will alleviate the economic fall off.³³ As a result, the connection between China’s east and west has the potential to provide economic balance across the state through the program’s ability to better distribute “China’s enormous industrial capacity” to its western regions and, subsequently, the markets of its southwestern neighbors.³⁴

31 “Vision and Actions on Jointly Building Silk Road Economic Belt and 21st Century Maritime Silk Road,” preface.

32 Greg Knowler, “So What Is China’s ‘One Belt, One Road’ Thing, Anyway?,” *Journal of Commerce*, April 07, 2015, http://www.joc.com/international-trade-news/so-what-china’s-‘one-belt-one-road’-thing-anyway_20150407.html.

33 Scott Kennedy and David A. Parker, “Building China’s ‘One Belt, One Road,’” *Center for Strategic and International Studies*, April 3, 2015, <http://csis.org/publication/building-chinas-one-belt-one-road>.

34 Kennedy and Parker, “Building China’s ‘One Belt, One Road.’”

Second, the construction of ports along the Indian Ocean Basin and connecting transportation corridors across the Chinese border provide new lanes for China to continue diplomatic ties and trade relations with the Middle East and Gulf States.³⁵ While research has found that maritime trade through the Strait of Malacca to China's eastern seaboard is far more efficient and cost effective than overland transportation through the world's highest mountain range, the benefit comes in the harbor capabilities available to Chinese merchant ships and the People's Liberation Army Navy (PLAN) that have begun venturing further from China's shores.³⁶ As will be discussed in a section on the significance of maritime infrastructure, this provides China an opportunity to maintain a significant maritime presence in a vital global sea route.³⁷

B. SOUTH ASIAN ROADS AND RAILWAYS: PAVING A PATH OUT OF CHINA

In 1964, fourteen years after Pakistan became among one of the first states to recognize the PRC, the two governments set out to develop a highway through the Karakoram mountain range "for the explicit purpose of fostering trade and people-to-people contact and the implicit purpose of enhancing both countries' political and logistical control over their frontiers and capability to deal with external and internal security threats."³⁸ By 1978, the "Sino-Pakistani Friendship Highway" was complete and demonstrated the "close-to-literal realization of the claim that their friendship is 'higher than the highest mountain.'"³⁹

35 Muhammad Daim Fazil, "The China-Pakistan Economic Corridor: Potential and Vulnerabilities" *Diplomat*, May 29, 2015, <http://thediplomat.com/2015/05/the-china-pakistan-economic-corridor-potential-and-vulnerabilities/>.

36 Gabe Collins and Andrew Erickson, "Still a Pipedream: A Pakistan-to-China rail corridor is not a substitute for maritime transport," *China Signpost*, December 22, 2010, <http://www.chinasignpost.com/2010/12/22/still-a-pipedream-a-pakistan-to-china-rail-corridor-is-not-a-substitute-for-maritime-transport/>.

37 Fazil, "The China-Pakistan Economic Corridor."

38 Ziad Haider, "Sino-Pakistan Relations and Xinjiang's Uighurs: Politics, Trade, and Islam along the Karakoram Highway," *Asian Survey* 45, no. 4 (2005): 522.

39 John W. Garver, "Development of China's Overland Transportation Links with Central, South-West and South Asia," *The China Quarterly*, no. 185 (2006): 7; Andrew Small, *The China-Pakistan Axis: Asia's New Geopolitics*, Kindle ed. (New York: Oxford University Press, 2015), 99.

Commonly referred to today as the Karakoram Highway, the mountaintop road connects western China to Pakistan's highway and railway system. When construction was set to resume on the roadway in 2001 after 23 years, the KKH-rebuild was planned to be the centerpiece of a new China-Pakistan Economic Corridor connecting western China to the Indian Ocean via an expansive system of road and railways through Pakistan.⁴⁰ With additional plans announced in 2006 to resurface and widen the highway, progress has been stalled since 2010 due to a massive landslide that submerged a 14-mile section under a resulting lake.⁴¹

Unfortunately, Mother Nature has not been the only set back. As mentioned, the KKH was slated to become the centerpiece of the Chinese-Pakistan Economic Corridor (CPEC) connecting the Chinese-constructed port in Gwadar, Pakistan with China's western-most province, Xinjiang. Yet, since the opening of the port in 2006, construction on connecting roads and railways between the port and the KKH has stalled over security concerns stemming from actions against the Pakistani government by Baluch nationals that see the projects as an opportunity for the Pakistani military to control the region.⁴² Nevertheless, Xi's recent support of the construction demonstrates China's desire to bring the vision to fruition.

In addition to developments in Pakistan, South Asia has seen new or proposed Chinese-led construction in Bangladesh, Myanmar, Nepal, and across the Tibet Autonomous Region with over 140 roads connecting China to its Asian neighbors.⁴³ Beginning in Myanmar, China's 1999 "Western Development" domestic strategy, designed to encourage economic and social growth in the lagging central and western parts of the country, has prompted Beijing to develop transportation infrastructure connecting these regions with China's eastern coast and neighboring countries.⁴⁴ As a result, the strategy has prompted significant development in China's Yunnan Province,

40 Garver, "Development of China's Overland Transportation Links," 7–8.

41 Small, *China-Pakistan Axis*, 99.

42 Ibid., 102.

43 Holslag, "China's Roads to Influence," 645.

44 Hongwei Fan, "China's 'Look South': China-Myanmar Transport Corridor," *Ritsumeikan International Affairs* vol. 10 (2011), 44.

which operates as a hub between Myanmar ports to the south and businesses centered in China's east. Referred to as the Yunnan International Passage, this project alone is responsible for over 840 miles of new roadway between the two states from 1999–2012.⁴⁵ Yet, not all projects between the Asian neighbors have been a success. Despite significant infrastructure crisscrossing the Irrawaddy Corridor and linking economic centers in both Myanmar and Burma with Yunnan, public opposition has stalled future projects. With funding allocated in 2011 for a new railway between Kunming in China and Kyaukpyu,⁴⁶ the project was cancelled in 2014 due to public protests over natural resource extraction by China that was believed to represent Beijing exploiting the Myanmar government.⁴⁷

Shifting to China's Tibet Autonomous Region, there are similar examples of road and railways linking neighboring states to China's underdeveloped western provinces. Beginning in 2001, construction began on the first major rail system to connect China and the Tibetan city of Lhasa. Opening in 2006, the railway creates the possibility for future projects in geographically challenging sections of Nepal, Bhutan, and northeastern India.⁴⁸ While these projects might seem more like tales of science fiction due to the engineering challenges associated with going over the roof of the world, China is not easily dismayed. Announced in the 2008, Beijing stated intentions to extend the Lhasa railway to the Nepal border at Zhangmu. A year later, the provincial government of Tibet had widened the already adjacent highway at a cost of US\$100 million, with intentions to construct a second track to central Nepal.⁴⁹ In addition, if that was not enough to demonstrate the seriousness behind China's intentions, recent reports from Chinese state

45 Hongwei Fan, "China's 'Look South,'" 46.

46 Garver, "Development of China's Overland Transportation Links," 7–8; Holslag, "China's Roads to Influence," 7.

47 Jacob Goldberg, "Myanmar's Great Power Balancing Act," *Diplomat*, August 29, 2014, <http://thediplomat.com/2014/08/myanmars-great-power-balancing-act/>.

48 Garver, "Development of China's Overland Transportation Links," 14.

49 Holslag, "China's Road to Influence," 646.

media claim that Beijing is preparing to tunnel under Mount Everest to connect Kathmandu to the Lhasa railway by 2020.⁵⁰

C. SOUTH ASIAN PORTS: CHINA'S NEW GATEWAY TO THE WORLD

The terminuses of these roads and railways are the port cities of South Asia. As previously discussed, China seeks to provide opportunities for economic growth throughout its western hinterlands. These port cities are gateways to the Middle East, Africa, and Europe by providing maritime transportations hubs that link back to the mainland. As a result, China continues to finance similar transportation infrastructure projects in the form of ports in Pakistan, Sri Lanka, Bangladesh, and Myanmar.

Gwadar, situated on Pakistan's Arabian Gulf coast, lies at the end of the KKH's adjoining roadway system and provides China with a strategic advantage due to its proximity to the Strait of Hormuz.⁵¹ Originally envisioned as a solution to reduce the high traffic into the port of Karachi, the Chinese took interest in the project in 2001 after pledging to fund \$198 million of the initial \$248 million construction costs through the China Harbor and Engineering Corporation that has supervised construction. Completed in 2006, the port officially opened in 2007 under the operation of the Port of Singapore Authority (PSA).⁵²

By 2008, the port had suffered setbacks as a second phase of construction stalled over legal disputes between the Pakistani Government, Pakistani Navy, and PSA. In the end, the Singaporeans vacated the contract and port operations were assumed by the China Overseas Port Holdings Company in 2013.⁵³ As China reassumes control of the port, its recent \$46 billion investment to the connecting roads, railways, and pipelines that will stem from the port signify the significance Beijing sees in the project, which reports

50 "China-Nepal Railway With Tunnel Under Mount Everest 'Being Considered,'" Telegraph, April 9, 2015, <http://www.telegraph.co.uk/news/worldnews/asia/mounteverest/11524428/China-Nepal-railway-with-tunnel-under-Mount-Everest-being-considered.html>.

51 Rorry Daniels, "Strategic Competition in South Asia: Gwadar, Chabahar, and the Risks of Infrastructure Development," *American Foreign Policy Interests* 35, no. 2 (2013): 95.

52 Small, China-Pakistan Axis, 100.

53 Ibid., 101.

indicate, “China hopes to transform into a free-trade zone on the order of a Singapore or a Hong Kong.”⁵⁴

Recognizing the opportunities from maintaining access to maritime hubs around the Indian Ocean Basin, China has financed additional projects in Hambantota, Sri Lanka; Chittagong, Bangladesh; and Kyaukpyu, Myanmar. For example, with a loan of 85% of the \$361 million first phase and 100% of the \$808 million second phase, a state-owned Chinese bank covered a significant portion of the cost to complete the Hambantota port, and as a result, gained operating rights to four berths upon completion.⁵⁵ A similar occurrence in 2010 saw China agreeing to fund the \$9 billion of the estimated cost to build the Chittagong deep-water port, situated in the Bay of Bengal.⁵⁶ Coupled with the road and railway systems that connect many of these ports back to China, these projects diversify the economic routes into the country by incorporating additional shipping lanes that avoid significant bottle necks, such as highly trafficked international shipping lane through the Strait of Malacca.

D. BELT AND ROAD: MULTIPLE PROJECTS MERGE

While Beijing has been laying the building blocks for a grand-scale regional infrastructure initiative since the first slab of concrete was laid for the KKH, the push since 2000 marks the start of a significant attempt by Beijing to advance the project based on a need to redefine China’s economy and develop new economic opportunities. Nevertheless, throughout the past decade and a half, only individual projects have dotted an agenda that lacked a clear and focused vision to unite the economic gateways connecting China to the world. The formal introduction of OBOR in March 2015 attempts to change this fact by unifying the past and future infrastructure programs under

54 Jack Detsch, “China’s Grand Plan for Pakistan’s Infrastructure,” *Diplomat*, April 21, 2015, <http://thediplomat.com/2015/04/chinas-grand-plan-for-pakistans-infrastructure/>.

55 Namini Wijedasa, “China Gets Controlling Stake at Hambantota Port,” *Sunday Times*, October 19, 2014, <http://www.sundaytimes.lk/141019/news/china-gets-controlling-stake-at-hambantota-port-123262.html>.

56 Mukul Devichand, “Is Chittagong One of China’s ‘String of Pearls,’” *BBC Online*, page last updated May 17, 2010, <http://news.bbc.co.uk/2/hi/business/8687917.stm>.

a single strategy. The project joins two previous initiatives, first announced in 2013, the Silk Road Economic Belt and the 21st Century Maritime Silk Road.

The first indication of Beijing's new intentions became public in the fall of 2013 when President Xi conducted a state visit to Kazakhstan. While speaking at Nazarbayev University on September 9, 2013, the Chinese President discussed the importance of economic ties between China and its Central Asian neighbors and the need to encourage trade through the development of transportation channels in the region. The speech was the first mention of the Silk Road Economic Belt concept.⁵⁷

One month later during another state visit, this time to Indonesia, the second half of the Belt and Road was announced. Speaking in front of the Indonesian Parliament on the importance of maintaining a strong relationship between China and the ASEAN states, Xi pledged to strengthen maritime ties to China's Southeast Asian neighbors through the promotion of the 21st Century Maritime Silk Road. Designed as a vehicle to expand "practical cooperation with ASEAN countries," Xi proclaimed that the program succeeds by "supplying each other's needs and complementing each other's strengths, with a view to jointly seizing opportunities and meeting challenges for the benefit of common development and prosperity."⁵⁸

With the maritime and land initiatives announced, the program continued to quickly progress throughout late 2013 and into the following year. By November 2013, the Third Plenary Session of the 18th Central Committee of the CCP "called for accelerating the interconnection of infrastructure among neighboring countries, and facilitating the construction of the Silk Road Economic Belt and the 21st Century Maritime Silk Road."⁵⁹ The following March, government work reports out of the Chinese Premier's office echoed the call by the Third Plenary Session for acceleration

57 "Chronology of China's 'Belt and Road' Initiatives"; "President Xi Jinping Delivers Important Speech and Proposes to Build a Silk Road Economic Belt with Central Asian Countries," Ministry of Foreign Affairs of the People's Republic of China, September 7, 2013, http://www.fmprc.gov.cn/mfa_eng/topics_665678/xjpfwzysiesgjtfhshzzfh_665686/t1076334.shtml.

58 "Speech by Chinese President Xi Jinping to Indonesian Parliament," ASEAN, October 2, 2013, http://www.asean-china-center.org/english/2013-10/03/c_133062675.htm.

59 "Chronology of China's 'Belt and Road' Initiatives."

and stirred discussion on the status of the CPEC and a second economic corridor linking Bangladesh, China, India, and Myanmar, part of the Bangladesh-China-India-Myanmar Forum for Regional Cooperation (BCIM).⁶⁰

In addition to plans for infrastructure development and political unity, the accumulation of capital through two new financial establishments, the Asian Infrastructure Investment Bank (AIIB) and the Silk Road Fund (SRF), signaled real momentum. Launched in October 2014 and initially backed by 21 Asian states, the AIIB membership has grown to 57 countries, as of June 1, 2015, and is attempting to fund the \$750 million annual infrastructure gap that the Asian Development Bank (ADB) is unable to overcome.⁶¹ With China becoming an economic cornerstone in the Asian market, some argue that institutions such as the International Monetary Fund (IMF) and the World Bank must retool its leadership positions to allow for increased Chinese influence. Nevertheless, with the changes in these systems slow to occur, the rise of the AIIB demonstrates a possible Chinese solution to the similar lack of leadership issues that weighs on other developing states.⁶²

Set up in November 2014, the SRF is designed to utilize domestic and international capital to finance Belt and Road projects and “seek out investment opportunities during the development of the ‘One Belt and One Road.’” Officially announced at the 2014 Asia Pacific Economic Cooperation (APEC) Summit in Beijing, President Xi pledged \$40 billion as the initial investment.⁶³ Coupled with the AIIB, support of these institutions demonstrates a willingness by the international community to

60 “Chronology of China’s ‘Belt and Road’ Initiatives.”

61 Don Rodney Ong Junio, “Asian Infrastructure Investment Bank: An Idea Whose Time Has Come?” Diplomat, December 4, 2014, <http://thediplomat.com/2014/12/asian-infrastructure-investment-bank-an-idea-whose-time-has-come/>; Kerry Brown, “The U.S. Should Make Sure China’s AIIB Succeeds,” Diplomat, June 1, 2015, <http://thediplomat.com/2015/06/the-us-should-make-sure-chinas-aiib-succeeds/>.

62 Junio, “Asian Infrastructure Investment Bank.”

63 “Summary: PRC Silk Road Fund Formally Launches,” People’s Bank of China, February 16, 2015, https://www.opensource.gov/portal/server.pt/gateway/PTARGS_0_0_200_203_121123_43/content/Display/CHO2015021861613312#index=1&searchKey=21044994&rpp=25; Paul Carsten and Ben Blanchard, “China to establish \$40 billion Silk Road infrastructure fund,” Reuters, November 8, 2014, <http://uk.reuters.com/article/uk-china-diplomacy-idUKKBN0IS0BU20141108>.

back China's plan for economic unification and to fix a sub-standard infrastructure system in an economically vital region of the world.

In March of 2015, nineteen months after President Xi introduced the initial concepts, China's National Development and Reform Commission, Ministry of Foreign Affairs, and Ministry of Commerce released a joint paper formally outlining the principles of the Belt and Road initiative. Titled "Vision and Actions on Jointly Building Silk Road Economic Belt and 21st Century Maritime Silk Road," the paper begins by discussing the background, principles, and framework of the program before detailing the priorities, mechanisms, and regions of interest. Relying heavily on previous Chinese foreign policy concerning mutual respect and mutual benefits, the program seeks to build a "new Eurasian Land Bridge" that utilizes industrial parks in participating states as "cooperation platforms."⁶⁴ In addition, at sea, it utilizes "secure and efficient transport routes connecting major sea ports" to develop economic interconnectedness.⁶⁵

While the paper makes clear that the success of this program will be judged on the ability to create the infrastructure necessary for the free-flow of trade and technology, the primary message is the promotion of common development, fiscal integration, and upholding China's Five Principles of Peaceful Coexistence. In addition to discussions on infrastructure development and key principles of Chinese foreign policy, as Scott Kennedy and David Parker explain, "the plan is also notable for its mixing of tradition Chinese diplomatic language (e.g., emphasizing sovereignty and nonintervention) alongside a newer rhetorical focus on adherence to high standard and international norms and 'decisive' role of the market and industry in driving the initiative."⁶⁶

From both a domestic and foreign policy view, this initiative is a strong step forward for China. Domestically, China seeks to utilize Belt and Road to promote economic growth throughout its historically lagging western provinces. As it states in the section regarding the opening of these regions, "We should make good use of Xinjiang's

⁶⁴ "Vision and Actions on Jointly Building Silk Road Economic Belt and 21st Century Maritime Silk Road," section 3.

⁶⁵ Ibid.

⁶⁶ Kennedy and Parker, "Building China's 'One Belt, One Road.'"

geographic advantage and its role as a window of westward opening-up to deepen communication and cooperation with Central, South and West Asian countries, make it a key transportation, trade, logistics, culture, science, and education center, and a core area on the Silk Road Economic Belt.”⁶⁷ Internationally, the program is an opportunity for China to shoulder additional responsibilities as a rising global power and improve its image in the eyes of South Asia and other great powers: “China is committed to shouldering more responsibilities and obligations within its capabilities and making greater contributions to the peace and development of mankind.”⁶⁸

E. FOUR ASPECTS OF BELT AND ROAD’S SIGNIFICANCE TO SOUTH ASIA

Shifting the focus back to South Asia, the Belt and Road initiative promises to have significant ramifications on the economy and the geostrategic importance of the region. As a result, there are four likely aspects that will influence not only China’s relationship with the South Asian states, but also the dynamics among each other and the global powers. It is these four aspects that I will utilize to assess China’s motivations and act as four points of continuity throughout the thesis.

First, infrastructure advances China’s national interest throughout the region.⁶⁹ Not only does the investment in transportation infrastructure provide new free-market opportunities for Chinese business, new economic corridors create “Sino-centric patterns of trade, investment, and infrastructure” within the economic institutions in South Asia.⁷⁰ As John Garver argues, “While it may be true that China is inspired by purely economic and developmental objectives, this is beside the point, Chinese influence will flow along these new transportation lines, regardless of why they were built.”⁷¹ Essentially, as

67 “Vision and Actions on Jointly Building Silk Road Economic Belt and 21st Century Maritime Silk Road,” section 6.

68 “Vision and Actions on Jointly Building Silk Road Economic Belt and 21st Century Maritime Silk Road,” section 1.

69 Daniels, “Strategic Competition in South Asia,” 94.

70 Kennedy and Parker, “Building China’s ‘One Belt, One Road.’”

71 Garver, “Development of China’s Overland Transportation Links,” 2.

already demonstrated from completed projects, these programs produce significant economic ties and illustrate the magnitude and growing reach of China's economy.⁷²

Second, infrastructure ties China politically and economically to its neighbors, and them to China. In addition to the spread of "Sino-centric patterns," a key result, and one being heavily pursued by Beijing, is the development of economic corridors, specifically the CPEC and the BCIM. In Pakistan, public officials have shown strong support by accepting Chinese funding and capital. The sticking point is security concerns over protests and threats by regional Pakistani actors. As a result, Beijing is becoming entrenched in local Pakistani politics, as Chinese workers are targets of Baluch and Taliban fighters.⁷³

Meanwhile, the BCIM is caught in a great power struggle between China and India. As Chinese influence flows along new transportation lines, the global significance rests on the effects the expansion will have on the Sino-Indian, Indian-American, and Sino-American relationships. For New Delhi, recent Chinese expansion is seen as a challenge to India's sphere of influence.⁷⁴ In addition, with India promoting its new Look East strategy that seeks to increase Indian influence in East Asia, China might soon find itself in a similar position.⁷⁵ Nevertheless, continued economic ties between the two nations will prove beneficial, as any confrontation between the two will only stunt the growth of both states. As M. Taylor Fravel argues, the challenge for India and China is to "manage these contentious issues so that they do not prevent the deepening of the cooperation that China seeks."⁷⁶

72 Kennedy and Parker, "Building China's 'One Belt, One Road.'"

73 Akhilesh Pillalamarri, "The China-Pakistan Economic Corridor Is Easier Said Than Done," *Diplomat*, April 24, 2015, <http://thediplomat.com/2015/04/the-china-pakistan-economic-corridor-is-easier-said-than-done/>.

74 Rajeswari Pillai Rajagopalan, "India's Perceptions and Responses to the Growth of Chinese Power," in Li Mingjiang and Kalyan M. Kemburi, eds., *China's Power and Asian Security* (London: Routledge, 2015), 148.

75 M. Taylor Fravel, "China Views India's Rise: Deepening Cooperation, Managing Differences," in Ashley J. Tellis et al., eds., *Strategic Asia 2011–2012: Asia Responds to Its Rising Powers-China and India* (Seattle: NBR, 2011), 80.

76 *Ibid.*, 66.

Third, maritime infrastructure presents the possibility for overseas basing. Commonly referred to as the “String of Pearls” theory, analysts have argued over the likelihood of Chinese-developed ports being utilized as naval bases by a growing People’s Liberation Army Navy (PLAN). With China constructing a network of commercial ports along the Indian Ocean basin, the strategic location of these facilities present a threat to India or any other potential or established power in the region.⁷⁷ As a result, the capabilities of these ports present a concern to all states with interests in the IOR. To date, the evidence does not support this theory, but the possibility alone still raises tensions.⁷⁸

Finally, infrastructure and its associated financial institutions challenge current institutions and the regional order within South Asia. The AIIB and SRF were designed by Beijing to be the financial arm of Belt and Road.⁷⁹ Believing that the IMF and World Bank are failing to recognize growing changes in the global order, an issue that will be discussed in greater detail in the following chapters, China is searching for opportunities to reinvigorate the process these institutions created.⁸⁰ As a result, issues arise over a perceived intent and ability for these institutions to challenge western-led institutions already closely tied to the region.

F. CONCLUSION: DEBATING BEIJING’S MOTIVATIONS

Today, China recognizes its significance in the global economy and its ability to affect change regionally, and more likely, globally. By investing in an infrastructure gap that has previously hindered Asia’s ability to reach its economic potential, Beijing is investing in its own regional significance. Yet, China also understands that it must walk a fine line as it stresses a desire to avoid the appearance of a revisionist state seeking to drag South Asia into an economic sphere of influence.

77 Johnson, “China, Sri Lanka, and the Maritime Great Game

78 Christopher D. Yung, “Burying China’s ‘String of Pearls,’” *Diplomat*, January 22, 2015, <http://thediplomat.com/2015/01/burying-chinas-string-of-pearls/>.

79 Zhiqun Zhu, “China’s AIIB and OBOR: Ambitions and Challenges,” *Diplomat*, October 09, 2015, <http://thediplomat.com/2015/10/chinas-aiib-and-obor-ambitions-and-challenges/>.

80 William H. Overholt, “One Belt, One Road, One Pivot,” *Global Asia* 10, no. 3 (2015), <https://www.globalasia.org/issue/chinas-new-silk-roads/>.

From a liberal lens, China's motivations do not appear to drive a revisionist agenda. As iterated in the Belt and Road vision, China continues to promote a win-win objective with no desire to attain hegemonic status. With its actions supporting the public policy, China has yet to exclude any state from admittance into either of the supporting financial institutions or from partnering to develop infrastructure supportive of the Belt and Road mission. In many cases, China has even financially supported projects in the name of progress, without any assistance from the host nation.⁸¹

Additionally, China continues to operate within the norms of the international system. As demonstrated by the creation of the AIIB, China seeks to conduct business by developing financial institution in similar fashion to western institutions such as the Asia Development Bank, IMF, and World Bank. As Thomas Moore explains, "China's pursuit of institutionalized cooperation signifies a growing commitment to a rules-based, norm-driven international order." Thus, China is seeking to develop a system "based more on rules than power."⁸² If this is true, indicators will show a lack of Chinese intimidation toward other states as Beijing gains economic power, and as the relationships mature, they will still be viewed as win-win.

From a realist perspective, China's actions are an attempt to replace the international order with its own system of institutions centered on Chinese leadership. Recognizing the steps that led to U.S. hegemony, Beijing is manipulating the current system to affect change in its favor. Similar to a military strategy known as "Phase Zero Operations" in which peacetime actions create strategic opportunities, these projects present opportunities that China can keep dormant until its sees a need to capitalize.⁸³ As a result, China's actions can represent a push to develop a sphere of influence through "economic statecraft."⁸⁴

81 Dingding Chen. "China's 'Marshall Plan' is Much More," Diplomat, November 10 2014, <http://thediplomat.com/2014/11/chinas-marshall-plan-is-much-more/>.

82 Moore, "Racing to Integrate, or Cooperating to Compete?," 36.

83 William Yale, "AIIB: China's 'Phase Zero Operation'?", Diplomat, April 24, 2015. <http://thediplomat.com/2015/04/aiib-chinas-phase-zero-operation/>.

84 Moore, "Racing to Integrate, or Cooperating to Compete?," 37.

Whether viewed through a realist or liberal lens, the Belt and Road initiative is the next evolution in a multiple-decade attempt to expand the China's economic opportunities throughout Asia, specifically South Asia. As President Xi has stated, South Asia is, and will continue to be, the focal point of both the Maritime Silk Road and the Silk Road Economic Belt. The outcome of his wager will rest squarely on how the PRC decides to play its hand, and how that is perceived by the global community.

III. A CASE FOR REALIST MOTIVATIONS

There is no denying the large Chinese footprint that Belt and Road leaves on South Asia. Through the development of significant infrastructure that dots the IOR and the creation economic corridors leading in an out of China, the PRC's influence grows with each project. And while Beijing might claim the most peaceful of intentions, fears of a realist agenda have created real concern among leading players in South Asia, primarily India and the United States.

This cautious nature comes from an underlying suspicion of China's motivations behind such a large-scale project. Fearing the initiative is an effort by China to undermine, counterbalance, or even encircle India, New Delhi points to the strategic location of each project and recruitment of economic allies in India's backyard as evidence of potential friction between the two states.⁸⁵ In a recent visit to China, Indian Prime Minister, Narendra Modi, spoke about the need for "bilateral cooperation" in a "shared neighborhood." And while his speech held the same uplifting and promising liberal tone of China's Belt and Road guiding principles, Modi was sure to downplay expectations of the complete Indian support of Chinese projects in South Asia by failing to highlight China's Belt and Road efforts: "Equally, we both seek to connect a fragmented Asia. There are projects we will pursue individually. There are a few such as the Bangladesh-China-India-Myanmar Corridor that we are doing jointly."⁸⁶

Similar to the fears of Indian strategists, realist scholars argue that these projects—both those associated with Belt and Road and those preceding the initiative—advance a Sino-centric agenda and create a dependent relationship between China and South Asia, with China holding the strategic advantage. These arguments come through observations of the lack of economic benefits seen since the resurgence of Chinese-

85 Vikas Bajaj, "India Worries as China Builds Ports in South Asia," New York Times, February 15, 2010, http://www.nytimes.com/2010/02/16/business/global/16port.html?_r=0.

86 Mugdha Variyar, "Modi in China: Top Quotes from Indian PM's Speech at Tsinghua University in Beijing [Complete Text]," International Business Times, May 15, 2015, <http://www.ibtimes.co.in/modi-china-top-quotes-indian-pms-speech-tsinghua-university-beijing-complete-text-632555>; Tanvi Madan, "Modi's Trip to China: 6 Quick Takeaways," Brookings Institution, May 15, 2015, <http://www.brookings.edu/research/opinions/2015/05/15-modi-china-takeaways-madan>.

developed infrastructure in the region since 2000, the strategic location of planned and completed projects, and the development of multilateral development banks that appear to challenge the current order. While China's motivations may not be as nefarious as these proposed effects may appear, there is reason to believe that Beijing is not operating from the progressive and liberal nature its rhetoric proclaims.

After reviewing the details of the Belt and Road initiative and related projects preceding its announcement, this chapter will present evidence and arguments that show realist motivations behind China's actions in South Asia. First discussing the realist school of thought and its connection to Chinese foreign policy in South Asia, following sections will detail realist scholars' assessments of the four aspects of Belt and Road, first addressed in the Chapter II. Evidence of revisionist motivations must demonstrate aspirations of establishing a regional hegemony that seeks to advance a Sino-centric agenda and draws South Asia into an economic and political sphere of influence. This includes utilizing infrastructure to advance Chinese economic and military needs, creating market dependencies for weaker littoral states on the robust Chinese markets, developing overseas bases from strategically located maritime ports, and funding new multilateral development banks that challenge western-led institutions. I will conclude by reviewing the evidence and attempting to incorporate it with the realist theories.

A. DEFINING REALISM

When discussing a state's foreign policy through a realist lens, it is necessary to focus on the school's inherent belief that all states take actions that are primarily in the best interest of the state. Believing that the world is comprised of an international system of anarchy, realism argues that the system is fueled by the "enduring propensity for conflict between states."⁸⁷ While this does not necessarily denote a sinister nature in which all states seek out conflict, there is an expectation that states' motivations, especially great powers, prioritize survival, and often, growth. This prioritization of a state's interest can be magnified through resource scarcity, geopolitical strategy, or economic ambitions. In summarizing the tenets of realism, Jason J. Blazevec states, "The

⁸⁷ Walt, "International Relations: One World, Many Theories," 30.

importance of such aspects is magnified by geography and access to resources, which further complicate international relations. Indeed, nations are competitive actors pursuing their key national interests: national security and survival.”⁸⁸

From this point, realism can be divided into offensive and defensive tenets. Defensive realism argues that states act in a manner focused on protecting their own security. When threatened, a state will seek economic, military, or diplomatic action to ensure survival.⁸⁹ Offensive realism predicts that when states have the ability, they will seek to gain influence and maximize power.⁹⁰ Realist scholar John J. Mearsheimer paints the bleakest theory of international politics in arguing that, “the mightiest states attempt to establish hegemony in their own region while making sure that no rival great power dominates another region.”⁹¹ Thus, if broken down, realism provides opportunities to explain both power seeking and security seeking motivations. With this difference in mind, there are two specific concepts that provide either an offensive or a defensive tint to a realist lens.

First introduced by General Charles F. Wald, USA, in 2006, the concept of Phase Zero Operations describes military actions designed to shape a battlefield prior to initial hostilities. Defined as encompassing “everything that can be done to prevent conflicts from developing in the first place,” the goal is to “invest fewer resources in a pre-crisis situation to avoid and exponentially larger expenditure later.”⁹² For scholars fearful of China’s ambitions, Phase Zero operations assist in explaining China’s motivations behind strategically located ports and economic partnerships with geostrategic littoral states. In line with an offensive realist approach in explaining China’s actions, this theory of Phase Zero tactics advances a theory in which China is utilizing programs such as Belt and Road to create strategic military and economic advantages that have the potential to be

88 Jason J. Blazevic, “Defensive Realism in the Indian Ocean: Oil, Sea Lanes and the Security Dilemma,” *China Security* 5, no. 3 (2009): 60.

89 Ibid.

90 Ibid.

91 Mearsheimer, “Better to Be Godzilla than Bambi,” 47.

92 Charles F. Wald, “The Phase Zero Campaign,” *Joint Forces Quarterly* 43, 4th Quarter (2006), 72–3.

used for future military engagements. Proposed by three senior U.S. military officers in the *Naval War College Review*, the officers utilized the Phase Zero concept to address what they describe as a Chinese strategic culture set on disrupting the status quo: “in sum, China’s strategic culture encourages intervening subtly in a situation long before armed conflict arrives to alter the strategic landscape...by laying the groundwork in Phase Zero, the strategic landscape can be altered so that objectives of the state can be achieved, and with minimal fighting.”⁹³ Essentially, those in favor of the theory depict China’s actions as an overt attempt at altering the IOR in China’s favor.

From a more defensive mindset, China’s actions can be depicted as simply economically opportunistic. Thus, while Belt and Road might provide economic benefits for the South Asian community, the motivation for the PRC is to create an environment that caters to China’s needs and eliminates competition. If depicted in a hegemonic nature, Jonathan Holslag argues that Chinese infrastructure is an example of “road diplomacy,” the creation of economic advantages that advance Chinese interests: “Hegemonic powers champion economic openness and make major contributions to the development of common goods because they expect that their superior economy will allow them to accumulate wealth faster than others. Hegemony is a cost-effective alternative to imperialism.”⁹⁴ Therefore, under this theory, China’s motivations are not to conduct Phase Zero operations, but instead, Beijing seeks to create a sphere of influence where economic control creates a Chinese hegemony throughout South Asia to ensure Chinese survival.

B. BELT AND ROAD’S SIGNIFICANCE: A REALIST ARGUMENT

Since the resurgence of Chinese-led infrastructure in 2000, and increasingly since the introduction of Belt and Road in 2015, realist scholars believe that OBOR will blanket South Asia with economic corridors designed to advance a Sino-centric agenda

93 McDonald, “Phase Zero,” 126.

94 Holslag, “China’s Roads to Influence,” 644.

and create figuratively, if not literally, a scenario in which all roads lead back to China.⁹⁵ When assessed in the framework of the four aspects of Belt and Road previously addressed, realist scholars argue that there is sufficient evidence to prove that these aspects will soon be recognized as effects of Beijing's grand strategy. First, infrastructure advances China's national interests throughout the region. Second, infrastructure ties China politically and economically to its neighbors by creating dependencies on China's economy and diplomatic policy. Third, maritime infrastructure is strategically located to allow for future overseas bases. Fourth, Belt and Road infrastructure and supporting economic institutions seek to challenge the U.S.-dominated status quo in the IOR. The following sections will review each aspect individually in order to best assess the evidence and challenge it against liberal theories in the following chapters.

1. Infrastructure Advances Only China's Interests

China's growing interest in South Asia is a reaction to the state's increasing need for natural resources, and as a result, control of the Sea Lines of Communications (SLOCs) cutting through the India Ocean region (IOR).⁹⁶ Since 2009, China has been a net importer of oil, natural gas, and coal, with demand expected to rise by 60% between 2010 and 2035.⁹⁷ This rapid expansion of Chinese demand is forcing the PRC to prioritize the supply lines connecting resources in the Middle East and Africa to economic centers on China's eastern coast. Thus, since 2000, China's interest in South Asia has centered on securing access in, out, and through this geostrategic body of water.⁹⁸

⁹⁵ "Survival interview: Aaron L. Friedberg on the debate over U.S. China strategy," The International Institute of Strategic Studies: The Survival Editor's Blog, May 29, 2015, <https://www.iiss.org/en/politics%20and%20strategy/blogsections/2015-932e/may-7114/debate-over-us-china-strategy-f18a>.

⁹⁶ Robert D. Kaplan, "China's Unfolding Indian Ocean Strategy – Analysis," Center for a New American Security, February 11, 2014, <http://www.cnas.org/content/china's-unfolding-indian-ocean-strategy---analysis#.VmcOK4Qld-U>.

⁹⁷ Jeff M. Smith, *Cold Peace: China-India Rivalry in the Twenty-First Century* (Lanham, MD: Lexington Books, 2014) 146.

⁹⁸ Ibid.

Becoming a part of the Chinese lexicon in 2003, the “Malacca Dilemma” states that “whoever controls the Strait of Malacca will also have a stranglehold on the energy route of China.” Fearing a closure of the strait would cripple China’s energy import market, the PRC has been seeking additional avenues to avoid such a crisis.⁹⁹ This in turn places greater significance for China on its ability to find new options to move resources out of the IOR, even if that means over land. Coupled with the creation of massive petroleum reserves in both its eastern and western provinces, there is greater reason to believe that China sees these infrastructure projects as Chinese resource highways designed to store, transfer, and secure natural resources, and not South Asian main streets designed to support local growth.¹⁰⁰ Yet, signs of practical, strategic actions by a state do not demonstrate realist motivations. Instead, evidence of infrastructure believed to advance solely Chinese interests must also prove that these relationships are exploiting the partnering countries’ economies.

Nevertheless, effects of the Karakorum Highway in Pakistan and maritime facilities in Sri Lanka seem to demonstrate evidence at both the local and state level. Despite predictions that these projects would produce a win-win environment, evidence is showing that these small markets, affected by Belt and Road and proceeding projects, are being negatively affected. Beginning with Pakistan, reports from the Gilgit-Baltistan territory, the last stop on the KKH before the road crosses into China, claim that the project has failed to enhance the local economy and raise the residents’ living conditions.

In a study for the Institute for Defense Studies and Analyses in New Delhi, Senge Sering reported that “the per capita per annum income of Gilgit-Baltistan is only one-fourth of Pakistan’s national average and more than 1.3 million of its inhabitants still live below the poverty line...likewise, the energy consumption rate is almost ten time lower...compared to Pakistan’s national per capita average.”¹⁰¹ While there is reason to argue that local economic failures falls on Islamabad’s shoulder and not the Chinese, the

⁹⁹ China Youth Daily, June 15, 2004 quoted in Ian Storey, “China’s ‘Malacca Dilemma,’” *China Brief* 6, no. 8.

¹⁰⁰ Smith, *Cold Peace*, 237.

¹⁰¹ Senge H. Sering, “Expansion of the Karakoram Corridor: Implications and Prospects,” *Institute for Defense Studies and Analysis Occasional Paper* no. 27 (2012): 19–20.

lack of growth is not just at the local level. The report goes on to claim, “When Sino-Pak trade reached the \$7 billion mark in 2009, the share of trade via KKH was miniscule 4 per cent [sic].”¹⁰²

In Sri Lanka, the case is much the same. Since the end of Mahinda Rajapaksa’s presidency in January of 2015, Sri Lankan policy has seen a shift away from the pro-China Colombo Consensus that marked the previous ten years and more toward a Western-allied approach.¹⁰³ Initially, the alignment with China began as the result of policy differences with the United States and India over the government’s handling of the Sri Lankan Civil War. When the two states failed to support the island state, China stepped in, in part due to its policy not to involve itself in a business partner’s domestic affairs, including reports of human rights violations and war crimes.¹⁰⁴ Nevertheless, the ten-year period saw significant development on the island as China sought to make Sri Lanka the “crown jewel” of China’s maritime Silk Road.¹⁰⁵

The recent shift away from China is the result of a new administration seeking to unburden itself of Chinese influence. With a debt of between six to eight billion U.S. dollars to China for infrastructure projects, newly elected Sri Lankan President, Maithripala Sirisena, has publicly downplayed the possibility of future Belt and Road projects on Sri Lankan soil.¹⁰⁶ Seeking “to tackle corruption and nepotism and create a more balanced foreign policy,” the President is listening to public scrutiny concerning over past projects and is driving the country toward closer relations with India and the United States.¹⁰⁷

¹⁰² Sering, “Expansion of the Karakoram Corridor,” 20.

¹⁰³ Daniel Balazs and Patrick Mendis, “Colombo Consensus 2.0,” *Foreign Policy*, October 1, 2015, <http://foreignpolicy.com/2015/10/01/colombo-consensus-2-0/>.

¹⁰⁴ Ibid.

¹⁰⁵ Patrick Mendis, “The Sri Lankan Silk Road: The Potential War Between China and the United States,” *Harvard International Review* 34, no. 2 (2012): 54.

¹⁰⁶ Rajeev Sharma, “Why India Needs to be Wary of China’s Ambitious Belt and Road Initiative,” *First Post*, June 21, 2015, <http://www.firstpost.com/world/why-india-needs-to-be-wary-of-chinas-ambitious-belt-and-road-initiative-2304970.html>; Balazs, “Colombo Consensus 2.0.”

¹⁰⁷ Balazs, “Colombo Consensus 2.0.”

While China's actions appear to address realistic, strategic concerns, there is also evidence that these projects have been unable to produce positive results in its partnering states. In order for Beijing to right this effect, there must be future evidence that local economies are benefiting from infrastructure in its own backyard. This will include job growth, benefits to the local service industries, and lower long-term debts between China and its South Asian partners.

2. Infrastructure Provides Avenues of Influence for China

In addition to being avenues for importing critical resources back to China, Belt and Road projects are providing the PRC with opportunities to create a strong economic and political footprint throughout South Asia. Liberal scholars argue that the increase of Chinese involvement in South Asian multilateral institutions is an example of China self-regulating this influence, an issue addressed in the following chapter. Yet, realist scholars believe that regardless of the intended purpose or the limits China places on its actions, the newly developed infrastructure, and subsequent corridors, act as a funnel for Chinese influence flowing straight from Beijing.¹⁰⁸ In addition, there is a great fear by India that China's influence in South Asia will encroach on its own sphere of influence.¹⁰⁹

For example, before the infrastructure resurgence in 2000 began, India oversaw a South Asia that, with the exception of Pakistan, had very few states showing interest in pursuing relations with China or countering Indian interests. The result at the time was a large gap between New Delhi and Beijing's political and economic influence in neighboring South Asian capitals. Yet, after over a decade of infrastructure development, China surpassed India in trade relations with Pakistan, Bangladesh, and Burma, and as one scholar points out, since the turn of the century, "Beijing successfully cracked the artificial, Monroe Doctrine-like wall India once hoped to construct around the subcontinent and now enjoys cordial ties and booming economic relations with nearly all the region's capitals."¹¹⁰

108 Garver, "Development of China's Overland Transportation," 2.

109 Smith, *Cold Peace*, 144.

110 Ibid., 144–5.

The obvious result of this market shift is the creation of stronger ties between Beijing and its South Asian neighbors. And while this might seem to be a logical effect from the rise in economic opportunities and partnerships that Belt and Road brings, the threatening aspect is the potential for China to begin utilizing its new influence to dictate South Asian policy or pressure states that fail to conform to the Belt and Road principles. According to the Center for American Progress, “The Belt and Road initiative is heavily invested in countries that have both a strong government relationship with China and hold popular support for Chinese investment.”¹¹¹ Realists point to this rise in political influence in Belt and Road projects as a change from the traditional noninterference approach Beijing has maintained on past business engagements.¹¹²

Additionally, some argue that this political influence will translate into Chinese support for countries willing to confront India’s regional influence. In the case of Pakistan, Indian scholars argue that Beijing’s growing relationship with Islamabad, apparent in the recent \$46 billion infrastructure package, affords Pakistan the opportunity to operate under a Chinese security blanket and threaten India without fear of repercussions.¹¹³ And as one Indian scholar argues, “The relationship with Pakistan has enabled Beijing to pursue an India strategy on the cheap, while maintaining its own focus on other areas of more immediate interest.”¹¹⁴ As a result, India is left with little choice but to seek bilateral opportunities with China while attempting to dampen the geopolitical effects Belt and Road has on the region.¹¹⁵

As these projects progress, evidence of realist motivations will show Beijing supporting projects in states publicly outspoken against India. If other states adopt

111 Ariella Viehe, Aarthi Gunasekaran, and Hanna Downing, “Understanding China’s Belt and Road Initiative: Opportunities and Risks,” Center for American Progress, September 22, 2015, <https://www.americanprogress.org/issues/security/report/2015/09/22/121628/understanding-chinas-belt-and-road-initiative/>.

112 Ibid.

113 Srinath Raghavan, “Stability in Southern Asia: India’s Perspective,” in *Crux of Asia: China, India, and the Emerging Global Order*, ed. Ashley J. Tellis and San Mirski (Washington, DC: Carnegie Endowment for International Peace, 2013), 139.

114 Ibid.

115 Ibid., 140.

policies similar to Pakistan after benefitting from the program, there is reason to believe that Beijing is utilizing Belt and Road to, at a minimum, gain political influence, and at worst, create a sphere of influence designed to challenge India directly.

3. Maritime Infrastructure Equals Overseas Basing

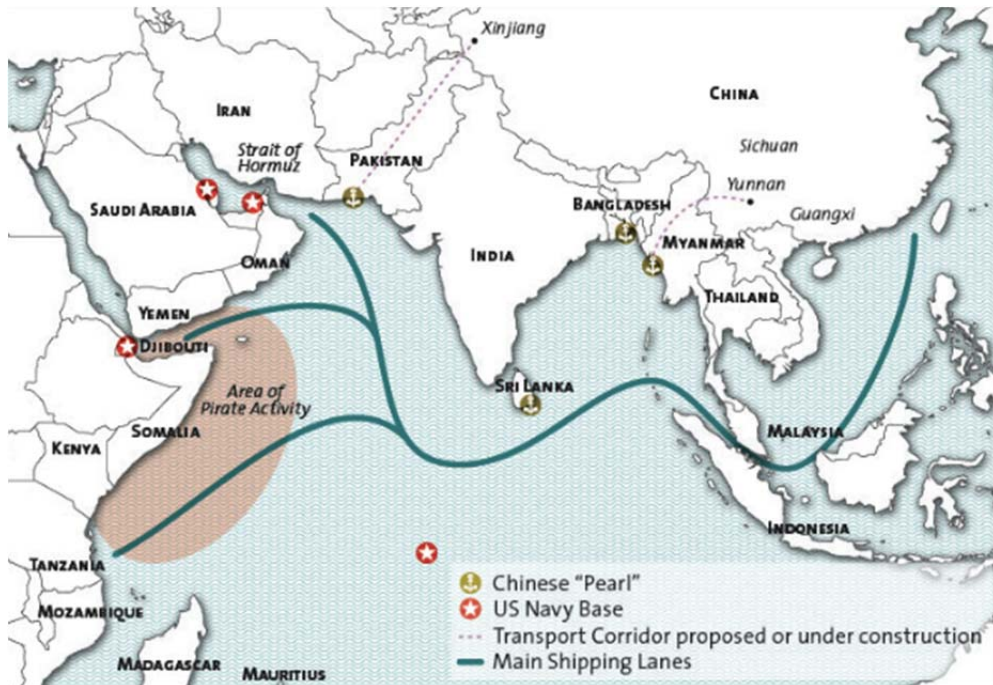
Since its conception by defense contractor Booz Allen Hamilton in 2004, the term “String of Pearls” has generated significant debate over the feasibility, or even likelihood, of China’s desire to repurpose South Asian maritime infrastructure as overseas military basing for an expanding PLAN. While China publicly claims these ports are intended for commercial use and overseas basing represents an unacceptable violation of sovereignty, realists argue that the strategic positioning of these facilities is designed to expand China’s sphere of influence and encircle India.¹¹⁶ Former Indian Foreign Secretary, Kanwal Sibal, best summarized India’s speculations by arguing, “There is a method in the madness in terms of where they are locating their ports...this kind of effort is aimed at counterbalancing and undermining India’s natural influence in these areas.”¹¹⁷

Clearly, a significant aspect of Belt and Road is the development of maritime infrastructure connecting China with South Asia’s warm water seaports. With the PRC seeking to secure safe passage from the Strait of Hormuz through the Strait of Malacca, Figure 1 depicts how the strategic locations of these bases act as Chinese checkpoints dotting the IOR. Essentially, each base represents potential facilities, allowing for replenishment and refit opportunities as Chinese shipping and PLAN forces transit and patrol the Indian Ocean. In addition, they provide secondary routes back to China, alleviating the Malacca Dilemma.

¹¹⁶ “China hasn’t any overseas military bases: Spokesperson,” English.news.cn, May 05, 2015; Bajaj, “India worries as China Builds Ports in South Asia”; Daniel J. Kostecka, “Places and Bases: The Chinese Navy’s Emerging Support Network in the Indian Ocean,” *Naval War College Review* 64, no. 1 (2011): 61.

¹¹⁷ Bajaj, “India Worries as China Builds Ports in South Asia.”

Figure 1. Chinese “Pearls”



Source: Prem Mahadevan, “China in the Indian Ocean: Part of a Larger PLAN,” *CSS Analyses*, no. 156 (2014).

Analysts supporting of the string of pearls theory often point to the teachings of Alfred Thayer Mahan, a staple of U.S. Naval doctrine and U.S. maritime diplomacy, to argue that China is electing to follow a similar strategy by mimicking the philosophy that created the U.S. maritime hegemony. As security analyst Virginia Marantidou explains by referencing Mahan’s famous *Influence of Sea Power Upon History, 1660–1783*:

Forward bases, which enjoy a good geographical position are fortified and enjoy the advantage of resources, are invaluable to the operation of warships. Accordingly, these bases should be strategically placed along the sea lines of communication to give control of the high seas against an enemy or other potential threat....According to Mahan’s argument, the Chinese will build a blue-water navy and establish naval bases which will give them the opportunity to project power and protect China’s economic and national interests.¹¹⁸

¹¹⁸ Virginia Marantidou, “Revisiting China’s ‘String of Pearls Strategy: Places ‘with Chinese Characteristics’ and their Security Implications,” *Issues and Insights* 14, no. 7 (2014): 8.

From an offensive realist perspective, China's actions can be viewed as a strategic move to create opportunities similar to a phase zero operation. Coupled with the advancements of the connecting road and railways, such as the widening and expansion of the KKH to increase vehicle capacity, these projects are perceived to afford China new options to stage troops and resources for future military conflicts in the region.¹¹⁹ The defensive realist perspective is less menacing and sees China's actions as the development of a logistics network that dots the IOR, slowly, yet deliberately, revising the maritime environment in a Mahanian manner.¹²⁰

Those that argue against the "String of Pearl" theory are quick to point to the limited capacity of these facilities, the diplomatic costs of reversing public policy on state sovereignty, and the financial risk of investing significant capital to convert each port into a fully functional naval base. Essentially, these bases provide the PLAN with only a minimal advantage and do little to reverse the current geopolitical status quo when compared to the established maritime power and logistical infrastructure of the U.S. Navy and its allies.¹²¹ In addition, analysts argue that it would be foolish for China to station high-value assets of a developing navy within striking range of India's missiles without the full support of the Chinese fleet.¹²²

Therefore, outside of the strategic location of each port, there currently is little evidence to prove the "String of Pearls" theory. Nevertheless, as Belt and Road progresses, evidence of a realization of this theory will be dependent on PLAN's activity in and around new maritime infrastructure. Should these ports begin housing PLAN assets, this will be a clear sign that Beijing is failing to uphold its Belt and Road promise. Additional evidence will be an increase of PLAN forces in the region and naval exercises designed to demonstrate a show of force that challenges India or the United States.

119 Sering, "Expansion of the Karakoram Corridor," 22.

120 Seth Cropsey and Arthur Milikh, "Mahan's Naval Strategy: China Learned It. Will America Forget It?," *World Affairs Journal*, March/April 2012, <http://www.worldaffairsjournal.org/article/mahan-s-naval-strategy-china-learned-it-will-america-forget-it>.

121 Ashley S. Townshend, "Unraveling China's 'String of Pearls,'" *Yale Global Online Magazine*, September 16, 2011, <http://yaleglobal.yale.edu/content/unraveling-chinas-string-pearls>.

122 Yung, "Burying China's String of Pearls."

4. Challenging International and Regional Institutions

As addressed in the previous chapter, the funding for China's expansive infrastructure network is funneled through two new financial institutions, the AIIB and the SRF. Initially seeking only to modernize the current institutions in order to represent the changing global economy better, a failed attempt at ratification in the U.S. Congress forced China to move away from the Bretton Woods system. Not wanting to engage in over \$600 billion of bilateral loans, Beijing followed a multilateral approach and founded the AIIB.¹²³ Since its founding in October 2014, membership has grown to 57 countries, as of June 1, 2015, and the organization places China center stage in the effort to find a multilateral solution to overcome a \$750 million annual infrastructure gap, an issue the Japan and U.S.-led ADB has been unable to resolve.¹²⁴

For realist scholars, the fear is that the founding of these institutions is a deliberate attempt by Beijing to challenge the Bretton Woods system, establish a new regional and global order centered on China, and advance the strategic interests of the Belt and Road initiative through selective funding.¹²⁵ In addition to the lack of transparency, a central concern when comparing the AIIB to the current system is the division of voting shares. For example, where China held a 5.48% voting power in the ADB and mere 4% in the IMF, in the AIIB, Beijing's vote carries 26.06%. This in comparison to Washington's leading vote share of 12.75% in the ADB and 17.68% in the IMF.¹²⁶ As a result, the significant increase in voting power could allow China to dictate the use of funds and the selection of projects.

123 Overholt, "One Belt, One Road, One Pivot."

124 Junio, "Asian Infrastructure Investment Bank: An Idea Whose Time Has Come?"; Brown, "The U.S. Should Make Sure China's AIIB Succeeds. »

125 Yun Sun, "China's AIIB Challenges," Pacific Forum CSIS, March 11, 2015, <http://csis.org/files/publication/Pac1516.pdf>.

126 "Members, Capital Stock, and Voting Power," Asian Development Bank, December 31, 2014, <http://www.adb.org/sites/default/files/institutional-document/158032/oi-appendix1.pdf>; Cary Huang, "Voting Rights Reflect Beijing's Leading Role in AIIB," South China Morning Post, June 30, 2015, <http://www.scmp.com/news/china/diplomacy-defence/article/1829316/voting-rights-reflect-beijings-leading-role-aiib>; "IMF Members' Quotas and Voting Power, and IMF Board of Governors," *International Monetary Fund*, updated November 02, 2015, <https://www.imf.org/external/np/sec/memdir/members.aspx>.

To date, the United States has opted not to join this new Multilateral Development Bank (MDB) over fears that the bank does not meet the “high standards” set by western-led international institutions. Fearing that these banks lack the required transparency needed to be effective and beneficial to Asian markets, of which South Asia is set to be a prime candidate, President Obama addressed the topic in a joint press conference with the Japanese Prime Minister in April 2015:

What we have said [regarding the AIIB] and what we said to all the other countries involved is exactly what Prime Minister Abe said, which is, if we’re going to have a multilateral lending institution, then you have to have some guidelines by which it’s going to operate. That’s how the World Bank operates. That’s how the IMF operates. There may be weighted votes in terms of who’s the biggest contributor, but you’ve got to have some transparency in terms of how the thing is going to operate—because if not, a number of things can happen. Number one, money could end up flowing that is misused, or it doesn’t have high accounting standards, and we don’t know what happens to money that is going into projects...And if, in fact, the Asia Infrastructure Bank that is being set up ends up having those kinds of safeguards, is run in a way that ultimately is actually going to lead to good infrastructure and benefit the borrowing countries, then we’re all for it...But if it’s not run well, then it could be a negative thing. And what we don’t want to do is just be participating in something and providing cover for an institution that does not end up doing right by its people. Because when these countries borrow money, even from a development bank, for a boondoggle project that doesn’t work, they’re oftentimes still on the hook for paying that money back.¹²⁷

Those in favor of the bank claim these statements by the United States are hypocritical because of previous criticisms against China for failing to shoulder the responsibilities of a major power. Instead, proponents argue that the AIIB does indeed demonstrate a leadership attempt by China and deserves U.S. support.¹²⁸ In addition, the fact that the AIIB is a multilateral institution in which China does not hold a majority

¹²⁷ “Remarks by President Obama and Prime Minister Abe of Japan in Joint Press Conference,” Office of the President of the United States, April 28, 2015, <https://www.whitehouse.gov/the-press-office/2015/04/28/remarks-president-obama-and-prime-minister-abe-japan-joint-press-confere>.

¹²⁸ Yale, “AIIB: China’s ‘Phase Zero Operation’?,”

share of the vote, demonstrates restraint by Beijing. Through this process, China is accepting limits on its own influence.¹²⁹

Nevertheless, realists continue to believe that this attempt to revise the system of multinational development banks is representative of Beijing's desire to diminish Washington's role in the developing world, specifically South Asia and the Indian Ocean, by creating a power play at the United States' expense.¹³⁰ As Asia security analyst Jeff Smith describes, "China is now operating beyond the reach of a U.S. veto, capable of reshaping the international order unilaterally. The AIIB will grant China a virtuous cycle of benefits, expanding its political and economic leverage across Asia, and aiding its efforts to elevate the yuan as an international reserve currency."¹³¹ If successful, that could mean greater influence and the ability for China impart a more nationalist trajectory within its strategy in South Asia.¹³²

Regardless of realist speculation, to date, there is not enough conclusive evidence to assess China's motivations behind AIIB. However, what to watch for are the same indicators that the President addressed: funds that are utilized to support projects based on the needs of the region, examples of transparency and high standards in all transactions, and affordable interest rates that do not cripple a state's economy.

C. CONCLUSION

In this chapter, I presented evidence supporting a realist assessment of China's motivations behind the Belt and Road initiative, specific to South Asia. The chapter began with a brief discussion on the offensive and defensive theories within realism and utilized these theories to depict motivations behind China actions. Second, I presented evidence favoring a realist interpretation of the four aspects of the Belt and Road

129 Rebecca Liao, "Out of the Bretton Woods: How the AIIB is Different," *Foreign Affairs*, July 27, 2015, <https://www.foreignaffairs.com/articles/asia/2015-07-27/out-bretton-woods>; Cary Huang, "57 Nations Approved as Founder Members of China-led AIIB," *South China Morning Post*, April 15, 2015, <http://www.scmp.com/news/china/diplomacy-defence/article/1766970/57-nations-approved-founder-members-china-led-aiib>.

130 Yale, "AIIB: China's 'Phase Zero Operation'?",

131 Smith, "Beware China's Grand Strategy."

132 Ibid.

initiative: first, a primary objective of Chinese-built infrastructure is to provide safe and secure avenues for natural resources back to China; second, the newly developed infrastructure, and subsequent corridors, act as a funnel for Chinese influence flowing straight from Beijing; third, the strategic positioning of these facilities is designed to expand China's sphere of influence and encircle India; and fourth, the start of Chinese-led multinational development banks in support of the Belt and Road initiative is a deliberate attempt by Beijing to challenge the Bretton Woods system and advance the strategic interests of Belt and Road through selective funding.

Each of these arguments indeed demonstrates aspects of the realist school of thought by making the case that China has engaged in behavior that is self-serving, questions win-win intentions, appears strategically shrewd, and challenges international norms. Only time will tell if China's motivations are part of strategy for South Asia that is not win-win, but instead a win for China. The next chapter will provide evidence of liberal motivations before assessing both arguments and drawing conclusions on the projected outcome of OBOR, the influence it will have on South Asia, and the best course of action for the United States.

IV. A CASE FOR LIBERAL MOTIVATIONS

In 2011, The PRC's Information Office of the State Council published the Peaceful Development White Paper that expressed China's intent on peaceful development throughout the state's "advance toward modernization." The paper opens by stating, "At the beginning of the second decade of the 21st century and on the occasion of the 90th anniversary of the founding of the Communist Party of China (CPC), China declared solemnly again to the world that peaceful development is a strategic choice made by China to realize modernization, make itself strong and prosperous, and make more contribution to the progress of human civilization. China will unswervingly follow the path of peaceful development."¹³³ Coming a decade after the Chinese economic and infrastructure resurgence in South Asia and two years before the announcement of the Belt and Road initiative, the document exemplifies China's publicly stated strategic goals to build a multilateral system that encourages economic unity, cooperation and common development, and a win-win environment.

Similar to the Belt and Road announcement in 2015, this public declaration of peaceful development is the product of both Chinese culture and the evolution of an idea that began with China's opening in 1978, found a voice within the CCP at the start of the 21st Century, and is reaffirmed under the current Chinese leadership that is seeking to expand on the miracle growth of the past decade.¹³⁴ When viewed in concert with the promotion of infrastructure development throughout South Asia, China's efforts to publicly express a peaceful doctrine demonstrate a unity of the liberal motivations by the Chinese government and its actions demonstrated since 2000. Supporters of China's efforts and stated intentions argue that Belt and Road is the manifestation of China's promotion of peaceful development and creates the all-inclusive, win-win environment that is keen on assisting other developing states, specifically those that have been overlooked by India or the West. Nevertheless, a liberal motivation cannot be solely

¹³³ The People Republic of China Information Office of the State Council, *China's Peaceful Development* (Beijing: 2011), <http://in.chineseembassy.org/eng/zt/peaceful/t855717.htm>.

¹³⁴ Ibid.; Robert L. Suettinger, "The Rise and Descent of 'Peaceful Rise,'" *China Leadership Monitor*, no. 12 (2004): 3.

judged on stated intentions and contentious projects along the Belt and Road map. Instead, evidence of these intentions must display actions that demonstrate multilateral economic and political growth throughout the region, a lack of Chinese military influence and pressure, and a respect by the PRC for the international institutions and norms that govern globalization.

This chapter will review explanations of China's Belt and Road initiative in South Asia that favor liberal motivations. Beginning with a brief discussion on liberalism that will highlight three aspects I will utilize to construct the framework for the liberal argument, the following section will present a liberal assessment of the four aspects of Belt and Road discussed in the Chapter II. As stated above, this evidence must display actions that demonstrate multilateral growth, a lack of potential for overseas basing (i.e., a rejection of the "String of Pearls" theory), and an acceptance of the global norms and institutions that have defined the global community since WWII. I will conclude by reviewing the evidence presented and incorporate it with the liberal theories addressed in the first section.

A. DEFINING LIBERALISM

Before addressing the liberal motivations, it is important to revisit the primary themes that define liberalism, specifically in relation to Chinese foreign policy. As discussed in the introduction, liberalism offers theories that explain the growing interdependence of states through economic exchange, global institutions, and societal norms. Through this interdependence, states are influenced by such factors and, as a result, bound to a certain course of action. As Andrew Moravcsik explains, the central idea behind liberalism is that "the relationship between states and the surrounding domestic and transnational society in which they are embedded critically shapes state behavior by influencing the social purposes underlying state preferences."¹³⁵ As a result, where realism argues that states seek to operate solely in their best interest, liberalism believes that the norms and institutions that direct the global community shape a state's

¹³⁵ Andrew Moravcsik, "Taking Preferences Seriously: A Liberal Theory of International Politics," *International Organizations* 51, no. 4 (1997): 516.

international strategy. For the purpose of this chapter, there are three aspects of the liberal school of thought that must be highlighted to construct the framework needed to properly assess Beijing's motivations.

First, interdependency places binding constraints on a state's behavior. In defining the core assumptions of liberalism, Moravcsik points out that "liberal theory assumes that the pattern of interdependent state preferences imposes a binding constraint on state behavior."¹³⁶ This idea that interdependency binds China to the interests of its community, specifically the South Asian community, is a central point in explaining China's motivation to promote a win-win environment. As I will explore in subsequent sections, China's infrastructure diplomacy in South Asia is forging deep relationships between Beijing and its neighbors. These relationships develop into an interdependent South Asian community that promotes unified goals dictated by the binding constraints of the situation. As a result, China's motivations continue to develop within the framework of the community's interests and norms. As the evidence is assessed, it will be important to judge the strength of China's bond with South Asia, both in word and action, to better predict future events. This will be done in the following sections by seeking evidence of Chinese economic and political restraint that ensures both partners are prosperous monetarily and politically and satisfied with the terms of the relationship.

Second, the demonstration of a state's commitment to the international community is displayed by its desire to seek out and engage international governmental organizations. In order to predict the strength of the community's bond, and if such a community is capable of driving China down a path of peaceful development, Justin S. Hempson-Jones argues that there must be evidence of state participation in international governmental organizations (IGOs) that limit Chinese behavior. Believing that China has demonstrated such evidence in other aspects of its foreign policy, he explains that "while the PRC has benefited enormously from the majority of its IGO memberships, it has also become costly for China to breach the norms or defect from the rules and obligations it

136 Moravcsik, "Taking Preferences Seriously," 520.

has agreed to observe.”¹³⁷ In South Asia, an example of this behavior is the creation of the AIIB that both supports the Belt and Road program and, as will be displayed, limits China’s ability to dictate a course of action. Under this argument, the evidence favoring liberal motivations must demonstrate a restraint on Chinese behavior, but at the same time, does not need to represent a fiscal or political loss.

Third, the development of new leadership within the global community does not constitute a completely revisionist agenda. According to John Ikenberry, the international order is not threatened by changes within the global community that diminishes the prominence of western powers and expands the influence of developing states: “The struggle over international order today is not about fundamental principles of the liberal international order; they wish to gain more authority and leadership within it.”¹³⁸ Essentially, a changing of the guard does not constitute a changing of the system. Therefore, this theory will assist in assessing the motivations behind the development of new institutions that are potentially designed to challenge the authority of similar western-led institutions. And like the other two, this theory will be assessed on the evidence’s ability to demonstrate China’s desire to utilize the new institutions to give a voice to other developing states and engage issues that western-led institutions have failed to address.

B. BELT AND ROAD’S SIGNIFICANCE: A LIBERAL ARGUMENT

In Chapter II, I addressed four aspects of China’s infrastructure diplomacy throughout South Asia. First, infrastructure advances China’s national interest throughout the region. Second, infrastructure ties China and its neighbors politically and economically. Third, maritime infrastructure presents a possibility for overseas basing. Fourth, the financial institutions designed to support Belt and Road challenges the norms, spheres of influences, and financial institutions that govern the South Asian community and its connections to the West. While it is too soon to evaluate the level of influence that

137 Justin S. Hempson-Jones, “The Evolution of China’s Engagement with International Governmental Organizations,” *Asian Survey* 45, no. 5 (2005): 720.

138 John G. Ikenberry, “The Future of the Liberal World Order,” *Foreign Affairs* 90, no. 3 (2011), <https://www.foreignaffairs.com/articles/2011-05-01/future-liberal-world-order>.

these projects will have on the region, evidence from the projects completed over the past decade and the trends observed since the announcement of OBOR allow for a strong assessment of the motivations behind China's grand strategy.

Utilizing these four aspects, the following sections argue: Chinese infrastructure promotes a win-win environment throughout South Asia; infrastructure and its supporting institutions creates binding commitments between China and other South Asian states; there is minimal evidence to support theories of overseas basing; and Belt and Road infrastructure and supporting economic institutions do not challenge the current system.

1. What Is Good for China Is Good for South Asia

To China, it is all about economics. After three decades of 10% growth, the Chinese market is in danger of resource scarcity, industrial overcapacity, and failing to find sufficient options to utilize over US\$3.5 trillion in foreign exchange reserves.¹³⁹ In Beijing, the first step in correcting the mounting economic frustrations is rebalancing the domestic economic disparity between the states lucrative eastern cities and its landlocked western regions. Utilizing a domestic strategy of western development to correct the economic imbalance, China views Belt and Road as a grand strategy to link China by first connecting it with the world: "By connecting China to countries along OBOR, it will help develop an economic space that will create a new frontier not just for China's western regions, but for the country as a whole. For China, this new frontier will surely attract investments and labor from the east, with the western region becoming the bridge between China and the countries linked to OBOR."¹⁴⁰ And for China's western regions, the first viable international markets are in neighboring South Asia.

Nevertheless, where realists see this as a self-driven effort to increase Chinese gains by creating economic dependencies on an overbearing Chinese economy, both historical and recent evidence present a different view of China's motivations. Beginning

139 Zheng Liu, "Is China's Growth Miracle Over?," Federal Reserve Bank of San Francisco Economic Letter, August 10, 2015, <http://www.frbsf.org/economic-research/publications/economic-letter/2015/august/china-economic-growth-miracle-slowdown/>; Overholt, "One Belt, One Road, One Pivot."

140 Zhang Ynuling, "One Belt, One Road: A Chinese Overview," *Global Asia* 10, no. 3 (2015), <https://www.globalasia.org/issue/chinas-new-silk-roads/>.

with the historical perspective, a common belief in China argues that the hierarchical design of the international system requires great powers to develop and support smaller states. Specifically for those states neighboring China, interstate behavior must be marked by “mutual respect, deference, and responsibility.”¹⁴¹ Evidence of China’s self-imposed burden of assisting other developing countries is seen simply in its desire to bring other states into the Belt and Road initiative, even if it means “free-riding” on China’s dime.¹⁴² Such examples have been seen already by Chinese banks funding significant ports in Sri Lanka and Bangladesh in order to open bottlenecks created by a lack of infrastructure.¹⁴³ Recently, President Xi has carried this message of connectivity and “free-riding” throughout South Asia by first arguing that “diplomatic work with neighboring countries is out of the need to achieve the great rejuvenation of the Chinese nation,” which in turn will build an environment that benefits from “common prosperity” and connectivity between China and South Asia.¹⁴⁴

To date, this common prosperity is displayed in the form of economic assistance, trade relations, and of course, infrastructure development. For example, since 2003, Chinese exports to its South Asian neighbors, specifically Bangladesh, Myanmar, Nepal and Sri Lanka, have doubled, with over a quarter of Bangladesh’s imports arriving from China. This has resulted in a rise in trade between China and the region of US\$45 billion from 2006–2011. In addition, bilateral investment has grown by \$500 million, to a total of \$2.8 billion, between 2005 and 2010.¹⁴⁵ With this growth occurring during the period of pre-OBOR construction, there is reason to believe that increased connectivity will result in greater economic growth. As such, Beijing sees a path of continued, common

141 Michael D. Swaine, “China: The Influence of History,” *Diplomat*, January 14, 2015, <http://thediplomat.com/2015/01/china-the-influence-of-history/>.

142 Dingding, “China’s ‘Marshall Plan’ is Much More.”

143 Zhang, “One Belt, One Road: A Chinese Overview.”

144 Chen Xiangyang, “Creating a Favorable New Landscape for Diplomacy,” *China-US Focus*, November 13, 2013, <http://www.chinausfocus.com/foreign-policy/creating-a-favorable-new-landscape-for-diplomacy/>.

145 Emily Brunjes et al., “China’s Increased Trade and Investment in South Asia (Spoiler Alert: It’s the Economy),” (master’s thesis, University of Wisconsin, 2013), ix.

economic prosperity as the number of infrastructure projects increase under the banner of the Belt and Road initiative.

In addition, infrastructure represents not only economic gain for the region, but also potential for regional stability. Using Pakistan as a case study, the \$46 billion invested by China to complete modernization projects on Gwadar port is the best hope at turning a dangerous and lawless region into a bustling center of economic growth.¹⁴⁶ By producing new jobs and modern facilities in the region, China is following a model similar to the United States strategy throughout the cold war—economic growth breeds stability.¹⁴⁷ As a result, the billions of dollars that have since been invested in South Asian infrastructure since 2000 and the billions more promised in OBOR packages represent opportunities for continued growth throughout South Asia.

Therefore, while expansion into South Asian markets through the development of infrastructure clearly advances China’s national interest, in return there is evidence to show that the effects have been mutually beneficial for many of China’s neighbors. As concluded in a recent report prepared by the University of Wisconsin for the U.S. Government Office of South Asian Policy, “these increases create opportunities for growth and development as a wider variety of exports flow from China into the region, and as Chinese outward direct investment improves infrastructure and creates jobs.”¹⁴⁸ As such, future evidence of win-win environment must demonstrate continued increased trade between China and South Asian states and sustained South Asian GDP growth that is comparable to China’s growth. If so, the evidence will drive further support of Beijing’s actions and continued evidence of liberal motivations.

2. Infrastructure: A Tie That Binds

There is no denying the power struggle in South Asia between China and India. Since fighting a border war in 1962, their relationship remains a point of contention within the region. And as trade relations between China and South Asia rises to include

¹⁴⁶ Overholt, “One Belt, One Road, One Pivot.”

¹⁴⁷ Ibid.

¹⁴⁸ Brunjes et al., “China’s Increased Trade and Investment in South Asia,” ix.

an increase in trade between China and India, New Delhi is left fearing an unwelcomed Chinese arrival in what it once believed to be a sphere of influence exclusive to India.¹⁴⁹ Nevertheless, Belt and Road provides potential to repair a tense relationship through the implementation of economic corridors and the possible admittance of China into South Asian institutions such as the South Asian Association for Regional Cooperation (SAARC). Through the openness and inviting nature of Belt and Road and subsequent institutions, China is showing a willingness to engage all players in South Asia.

Concerning the economic corridors, infrastructure projects prior to Belt and Road marked the beginning of economic avenues now known as the China-Pakistan Economic Corridor (CPEC) and the Bangladesh China India Myanmar Economic Cooperation (BCIM). Previously discussed in Chapter II, these programs provide dedicated, binding institutions that unite key players to China and China to them. The BCIM, for example, focuses on “result-oriented and project-based cooperation, all aimed at bringing tangible benefits to the people in the region” and is committed to linking policy, roadways, trade, and currency among the four participating states.¹⁵⁰ Drawing on the same lessons of Belt and Road, the organization is seeking to develop infrastructure that links Kunming to Kolkata and Mandalay to Myanmar.¹⁵¹

Nevertheless, India still maintains reservations over Belt and Road, specifically on the implementation process and, more importantly, the security implications of an increased Chinese naval presence in the IOR.¹⁵² Seeing Belt and Road as Beijing’s attempt to revise international order in South Asia and undermine growing U.S.-India security relations through encirclement tactics, India continues to stall progress not only in BCIM, but also in China’s admittance into SAARC.¹⁵³

149 Harsh V. Pant, “India and China slugging It Out in South Asia,” Japan Times, December 21, 2014, <http://www.japantimes.co.jp/opinion/2014/12/21/commentary/world-commentary/india-china-slugging-south-asia/>.

150 Rahman Jahangir, “The Potential of BCIM Economic Corridor,” Financial Express, April 02, 2014, <http://old.thefinancialexpress-bd.com/2014/04/02/26527>.

151 Ibid.

152 Geethanjali Nataraj, “Why India Should Join China’s New Maritime Silk Road,” Diplomat, July 03, 2015, <http://thediplomat.com/2015/07/why-india-should-join-chinas-new-maritime-silk-road/>.

153 Ibid.

Formed in 1985, SAARC members include India, Pakistan, Bangladesh, Nepal, Sri Lanka, Bhutan, Maldives, and Afghanistan. Yet, while China retains only observer status, the involvement of numerous SAARC voting members in Belt and Road projects has advanced the call from partnering states, primarily Pakistan, to issue full member rights to China.¹⁵⁴ Therefore, with SAARC struggling to produce substantial economic growth, even after the signing of the South Asian Free Trade Agreement in 2006, India can do little to stop smaller SAARC members from being enticed by China's promises of \$30 billion worth of investment in regional infrastructure.¹⁵⁵

In Beijing, leaders understand that in order for Belt and Road to succeed in India's backyard, it is necessary to find common ground with the South Asian giant. In a recent op-ed in *China Daily*, the author addressed the need for China to develop stable relations with key players in regions significant to the Belt and Road initiative: "As an emerging power that faces competition and even efforts at containment by existing powers, China has reached a stage where it needs to adopt an innovative diplomatic strategy...it should forge partnership with strategic pivot states...which can withstand international pressure to large extent." In South Asia, India represents this pivot point, assuming China can find a way to address New Delhi's concerns and maintain a balance between the historical rivalry between India and Pakistan.¹⁵⁶

The first step will be finding common ground to advance both China's Belt and Road with India's own Act East policy, which aims to create, to a lesser degree, similar infrastructure and economic advancement in Southeast Asia.¹⁵⁷ If both states act in accordance with the promises of cooperation and mutual respect that each initiative promotes, there is opportunity to create significant economic growth and continued

¹⁵⁴ Pant, "India and China slugging it out in South Asia,"; Bhoj Raj Poudel and Kawsu Walter Ceesay, "A Zero-Sum Game in South Asia Benefits Nobody," *Diplomat*, December 04, 2014, <http://thediplomat.com/2014/12/a-zero-sum-game-in-south-asia-benefits-nobody/>.

¹⁵⁵ Pant, "India and China slugging it out in South Asia,"

¹⁵⁶ Zhou Fangyin, "Diplomacy in New World Order," *China Daily Online*, October 22, 2014, http://www.chinadailyasia.com/opinion/2014-10/22/content_15181067.html.

¹⁵⁷ Ashlyn Anderson, and Alyssa Ayres, "Economics of Influence: China and India in South Asia," Council on Foreign Relations, August 07, 2015, <http://www.cfr.org/economics/economics-influence-china-india-south-asia/p36862>.

cooperation. In addition, the inclusive nature of Belt and Road affords India the opportunity to promote regional cooperation and retain its role as a leader in the IOR. As an Indian columnist argued, “Indian investment in neighboring littoral countries could help in reducing China’s sphere of influence and dominance in South Asia to some extent.”¹⁵⁸

Therefore, the promotion of infrastructure in South Asia certainly provides opportunities to create cooperation and economic growth, if pursued in a truly equal manner. Success for these projects will be defined through the evolution of inclusive organizations such as BCIM and SAARC that allow equal voices to all participants and advances the win-win diplomacy that they promise.

3. Maritime Infrastructure Does Not Equal Overseas Basing

On May 5, 2015, in response to concerns associated with the release of China’s most recent national military strategy, a spokesperson for the PRC Defense Ministry stated “[China] has not built any military bases overseas.” Citing a defense policy solely focused on national defense, he clarified China’s military strategy as one that “seeks no hegemony or military expansion.”¹⁵⁹ While this has not been the first time the PRC was forced to defend its proclaimed peaceful motivations behind the Chinese-led construction of port facilities along key supply routes in the IOR and other significant bodies of water, the “String of Pearls” theory argues the opposite. Centered around the Mahanian-esque belief that the militarization of the ports along Maritime Silk Road is in progress and necessary to support a growing maritime presence, the theory remains a pillar of the realist explanation to Beijing’s motivations behind Belt and Road. Fueled primarily by speculation that ignores trends and current evidence, the theory relies on the belief that simply because it has not developed overseas bases, does not mean China will not develop them in the future.¹⁶⁰

158 Nataraj, “Why India Should Join China’s New Maritime Silk Road.”

159 “China Hasn’t Any Overseas Military Bases: Spokesperson,” English.news.cn, May 05, 2015, http://china.org.cn/china/2015-05/26/content_35664216.htm.

160 James R. Holmes, “China Could Still Build ‘String of Pearls,’” Diplomat, November 08, 2015, <http://thediplomat.com/2014/11/china-could-still-build-string-of-pearls/>.

Instead, opponents of the “String of Pearls” theory argue that there is a lack of substantial evidence proving that the recently constructed maritime facilities, specifically those discussed in previous chapters, are intended for PLAN use.¹⁶¹ In addition, recent theorists add that a plan to utilize these ports for combat-oriented purposes would be a strategic mistake for China.¹⁶² Drawn from evidence of diplomatic, financial, and military complications, arguments against the theory pose three significant points: the diplomatic difficulties to secure buy-in from South Asian host nations is significant, China is unlikely to place high-value assets in such a strategically vulnerable location, and the ports in their current condition lack the features necessary to be utilized as power-projection points for the PLAN, both now and in the future.¹⁶³

First, outside of annexing a foreign harbor, the development of a PLAN base in any South Asian state requires China to gain approval from the host nation. Due to the geographical advantages, these smaller states hold in the current “Indo-Pacific Great Game,” it is unlikely that they will surrender this diplomatic bargaining chip to allow China to place warships in their sovereign waters. As one scholar argued, “Whatever sweeteners China might offer, it’s hard to imagine that any South Asian regime would jeopardize this geopolitical flexibility for a PLAN pied-a-terre and political blessing from Beijing.” Instead, it is more likely that these strategically significant states utilize their unique geostrategic advantage to play the competing interests of India, the United States, and China against each other for their own economic gain.¹⁶⁴

Second, a significant naval buildup in the IOR provides little strategic advantage to China and jeopardizes its overall naval security. With over 75% of its oil imports coming from Africa and West Asia, the focus of naval assets assigned to the region is the protection of resources along the maritime silk road.¹⁶⁵ Understanding that threat to these resources is primarily small scale pirate attacks, it is unwise for China to utilize

161 Townshend, “Unraveling China’s String of Pearls.”

162 Yung, “Burying China’s ‘String of Pearls.’”

163 Ibid.; Townshend, “Unraveling China’s String of Pearls.”

164 Townshend, “Unraveling China’s String of Pearls.”

165 Gurpreet S. Khurana, “China’s ‘String of Pearls’ in the Indian Ocean and Its Security Implications,” *Strategic Analysis* 32, no. 1 (2008): 2.

significant portions of its Navy in a location that is unsupported and within striking range of Indian air and missile threats. In addition, a larger, offensive force in the IOR draws from China's coastal, homeland defenses and counters its image of a "peaceful rise."¹⁶⁶

Finally, in a study out of the National Defense University in 2014, researchers assessed the physical components of each "pearl" against the U.S. Department of Defense (DOD) and Department of Transportation standards for military port facilities capable of supporting combat operations. They found that all but one port fell short of the standards that the U.S. DOD "considers minimally acceptable to support major combat operations."¹⁶⁷ Therefore, unless China intends to invest significant resources toward increasing the port capabilities, it is unlikely that these ports are used for means outside of China's stated intentions.

Nevertheless, while there might be sufficient evidence to disprove the likelihood of China utilizing these facilities for offensive combat operations, it does not detract from the fact that there is strategic value in the OBOR port facilities. For example, even if China continues to use these ports strictly as replenishing facilities, increased ports will likely result in a significant rise in Chinese shipping, which in turn will require greater naval presence in the IOR to ensure the protection of SLOCs and Chinese nationals working overseas. As a result, this rise in PLAN ships will dictate greater port visits and increased diplomatic relations between China and the littoral states.

With it being normatively accepted that warship port calls are a form of diplomacy, a tactic utilized by great powers like the U.S. and United Kingdom, OBOR marks an opportunity for China to advance its Belt and Road goals through the increase in naval presence and economic opportunities that come from port visits and ship replenishments.¹⁶⁸ As the realist argument points out, this could lead to economic

¹⁶⁶ Yung, "Burying China's 'String of Pearls.'"

¹⁶⁷ Christopher D. Yung et al., "'Not an Idea We Have to Shun': Chinese Overseas Basing Requirements in the 21st Century," *China Strategic Perspectives*, no. 7 (National Defense University, 2014), 37.

¹⁶⁸ Khurana, "China's 'String of Pearls' in the Indian Ocean," 3; Shannon Tiezzi, "The Maritime Silk Road Vs. The String of Pearls," *Diplomat*, February 13, 2014, <http://thediplomat.com/2014/02/the-maritime-silk-road-vs-the-string-of-pearls/>.

coercion, or as one author argued, “making economic investment a potential weapon.”¹⁶⁹ Therefore, in order for China to demonstrate a liberal motive as a required naval presence expands in the IOR, future evidence must demonstrate no indication of economic or political pressure by Beijing on smaller, littoral states. Indications of this pressure would include refusing or revoking future Belt and Road projects in an effort to coerce a smaller state into relinquishing sovereignty or agreeing to disadvantageous economic terms.

4. Changing of the Guard, Not a Changing of the System

For over 70 years, the Bretton Wood System has steered the global financial market through a period of stable and peaceful economic growth. Producing institutions such as the World Bank and IMF, this agreement dictated the norms and terms for global financing and international loans that spurred multinational growth in the post-WWII era. Nevertheless, liberal scholars argue that due to a lack of maintenance by the U.S. and European leaders in recent years, these institutions have failed to mature and accurately reflect the growing role of developing Asian states, primarily China.¹⁷⁰ Recognizing the inability of the IMF and World Bank to adapt to a changing world, China has since sought to reinvigorate the process by founding two new institutions, the Asian Infrastructure Bank and the New Silk Road Fund, both offspring of the Belt and Road initiative and designed to be the financial muscle behind it.¹⁷¹ While realists see this as Beijing’s attempt to undermine “the U.S.-led economic order” and advance a Chinese agenda, liberal scholars argue that the institutions are an effort by Beijing to fix a broken system and give the developing world a greater voice.¹⁷²

In Beijing, the call for new economic institutions took root in 2010 after the U.S. Congress failed to ratify reforms to the IMF that would have provided developing states

169 Tiezzi, “The Maritime Silk Road Vs. The String of Pearls.”

170 “The 70-Year Itch,” *Economist*, July 05, 2014, <http://www.economist.com/news/leaders/21606280-both-west-and-china-are-neglecting-institutions-help-keep-world-economy>.

171 Overholt, “One Belt, One Road, One Pivot.”

172 Smith, “Beware of China’s Grand Strategy”; Phillip Y. Lipscy, “Who’s Afraid of the AIIB: Why the United States Should Support China’s Asian Infrastructure Investment Bank,” *Foreign Affairs*, May 07, 2015, <http://stanford.edu/~plipscy/LipscyAIIBwebv.htm>.

greater voting shares in the system.¹⁷³ These reforms sought to move 6% of the voting shares from developed states to developing states, thus increasing the voting share for 102 of the IMF's 187 members. In addition, it is important to note that the IMF classifies all South Asian states as developing economies.¹⁷⁴ Yet, with the United States, the leading IMF shareholder, failing to ratify the changes, the developing states are left with what they perceive as a dated system.¹⁷⁵

Believing that waiting on the United States is not the appropriate answer for the global community, Beijing has utilized the lessons learned from over a decade of infrastructure development to create its own institutions that advance the promises of Belt and Road, equality and win-win economics. Therefore, with 57 members as of 2015, the AIIB appears to be an accepted solution to the current system.¹⁷⁶ Despite criticisms from realist scholars, those supporting the AIIB point to three pieces of evidence that demonstrate a liberal agenda: the AIIB does not change the system, only modernizes it; as an international institution, the AIIB binds China to a cooperative agreement; and economic interdependence has the potential to lessen future conflicts between great powers and emerging markets.¹⁷⁷

First, the central criticism that China has with the current institutions is the lack of voting shares held by developing countries, to include India and itself. Recognizing that the world has continued to evolve in the 70 years since the signing of Bretton Woods, China argues that changes that incorporate “systemically important countries” into these multinational institutions is imperative to better engage current issues.¹⁷⁸ Despite emerging market economies accounting for “more than half of the global GDP on the basis of purchasing power,” these states still only hold a 40–60 split of the IMF's vote

173 Pradumna B. Rana, “Time to Start Thinking of a ‘New Bretton Woods,’” *China Daily Online*, October 22, 2014, http://europe.chinadaily.com.cn/opinion/2015-09/29/content_22006510.htm.

174 “List of Developing Economies According to the International Monetary Fund's World Economic Outlook Report,” *ISOQOL.org*, April 2012, http://www.isoqol.org/UserFiles/file/Developing_Country_List.pdf.

175 Liao, “Out of the Bretton Woods.”

176 Ibid.

177 Lipsy, “Who's Afraid of the AIIB.”

178 Rana, “Time to Start Thinking of a ‘New Bretton Woods.’”

when compared to advanced countries.¹⁷⁹ In addition, loans provided by the World Bank and IMF are subject to conditions set by developed states that emerging states have found fail to provide emerging markets with strong long-term economic policies.¹⁸⁰ As a result, China sees the AIIB, like Belt and Road, as a vehicle to replicate its recent economic success by addressing the needs of South, Central, and Southeast Asian states.¹⁸¹

Despite China's desire to modify the system, evidence of its intent to maintain the international order is displayed in the structure of the AIIB. As a Japanese editorial stated, "we should be pleased the Chinese have opened up such an institution in the traditional mold. At a time when the world is wondering what to make of the rise of China, the adoption of a traditional approach suggests they are intent on being a member of the current global order rather than challenging the status quo."¹⁸² Essentially, China recognizes that its own growth is the result of the current economic order and it seeks to "actively reform the current system" instead of attempting to replace it.¹⁸³

Second, by creating a system in which Beijing has bound itself to a vote composed of equal percentage across the founding members, a group that includes all South Asian states with the exception of Afghanistan and Bhutan, China is voluntarily limiting its capabilities.¹⁸⁴ These limitations, a tactic the United States used after WWII to assuage fears of perceived attempts at economic control, make it inherently difficult for Beijing to manipulate Belt and Road projects.¹⁸⁵

Third, as China continues to rise to great power status, some scholars fear that it will fall, along with the United States, into the Thucydides Trap. The AIIB, and Belt and Road as the overarching initiative, creates an opportunity for each state to openly assess

179 Liao, "Out of the Bretton Woods."

180 Liao, "Out of the Bretton Woods."

181 Huang, "Keys to 'Belt and Road' Strategy Succeeding."

182 Robert Bestani, "AIIB Can Succeed Where Its Predecessors Have Failed," *Nikkei Asian Review*, September 24, 2014, <http://asia.nikkei.com/Viewpoints/Perspectives/AIIB-can-succeed-where-its-predecessors-have-failed>.

183 Huang, "Keys to 'Belt and Road' Strategy Succeeding."

184 Liao, "Out of the Bretton Woods"; Huang, "57 Nations Approved as Founder Members of China-led AIIB."

185 Lipsy, "Who's Afraid of the AIIB."

the other's actions, policy, and intent in a geographically significant region.¹⁸⁶ In addition, Philip Y. Lipsky argues that AIIB can be seen as a “marker of status and prestige” for China. Like previous great powers that have founded a multilateral development bank, “the influence and prestige of contemporary international institutions give countries a new avenue through which to gently contest the contours of the world order.” Essentially, this newfound “prestige” is believed to lessen an emerging state's desire to contest global norms with military force because they already feel that it no longer needs to fight for a seat at the table.¹⁸⁷

In the future, determining factors regarding China's motivations will be Beijing's ability to remain bound to the principles of a multilateral development bank and avoid opportunities to drive infrastructure projects that promote Chinese gains. Evidence of this will be found in the selection of Belt and Road Projects that provide on occasion the greatest benefits to the host nations and other South Asian states, such as supporting infrastructure that addresses needs not specific to China. If China is found to be driving a Sino-centric policy that either hinders host nation GDP growth or is unsupportive of trade not involving China, this will negate Beijing's promise of win-win diplomacy.

C. CONCLUSION

In this chapter, I presented evidence supporting a liberal assessment of China's motivations behind the Belt and Road initiative, specific to South Asia. That argument was centered around three aspects of the liberal school of thought: interdependency binds China to the interests of its community, the demonstration of a state's commitment to the international community is displayed by its desire to seek out and engage international governmental organizations, and the development of new leadership within the global community does not constitute a revisionist agenda. Under this framework, I addressed the four aspects of the Belt and Road, which reoccur throughout this thesis, with evidence supporting liberal motivations: first, while development of Chinese-produced

¹⁸⁶ He Yafei, “Connecting the World Through ‘Belt & Road,’” China-US Focus, October 13, 2015, <http://www.chinausfocus.com/foreign-policy/the-belt-road-initiative-offers-new-model-of-cooperation-in-global-governance/>.

¹⁸⁷ Lipsky, “Who's Afraid of the AIIB.”

infrastructure in South Asia is in China's best interest, there is evidence that it is also in South Asia's best interest; second, infrastructure development binds China to South Asia and demonstrates a commitment by China to the betterment of South Asia; third, there is minimal evidence supporting the String of Pearls theory; and fourth, the start of Chinese-led multinational development banks in support of the Belt and Road initiative do not demonstrate a desire by Beijing to challenge the current system.

Each of these arguments indeed demonstrates aspects of the liberal school of thought by proving that China has engaged in interdependent behavior, sought out and formed international government organizations, and requested new leadership under the current system. While time will tell if China is able to deliver on its ambitious plan, there is significant evidence to believe that China holds a progressive ideal over revisionist desires. After now presenting both the realist and liberal explanation of China's motivation, the next chapters will assess both arguments and draw conclusions on the projected outcome of this project, the influence it will have on South Asia, and the best course of action for the United States.

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V. ASSESSING THE ARGUMENTS

To this point, I have attempted to provide evidence to answer the question, “are China’s motivations for infrastructure development in South Asia more consistent with a realist or liberal lens.” The question was first addressed in Chapter II by conducting an objective review of Chinese-led infrastructure projects in South Asia from 2000 to the introduction of Belt and Road in 2015. Chapters III and IV then presented evidence by both realist and liberal scholars and media sources that addressed the four reoccurring aspects of these projects under their respective lens. These four aspects were selected because each presented a question that, in answering, addressed a portion of the central question surrounding China’s motivations. In order to properly build a case in favor of a liberal or realist lens, I felt it necessary to dissect the overall question into these specific topics. To review one last time, those aspects are: infrastructure advances China’s national interests throughout the region; infrastructure ties China politically and economically to its neighbors, and China to them; maritime infrastructure presents the possibility for overseas basing; and infrastructure and its associated financial institutions challenges current institutions and the regional order within South Asia.

After assessing the evidence, I found that in each of the four aspects, the liberal lens presented stronger evidence to explain China’s motivation. In this chapter, I explain the reasons that brought me to this conclusion and how I assessed the evidence. In keeping with the same format, this will be done by addressing each aspect individually before providing an overall conclusion.

A. DOES INFRASTRUCTURE ONLY ADVANCE CHINA’S NATIONAL INTERESTS?

With this first aspect, I looked to answer the question, is this infrastructure advancing only China’s interest or are there clear economic benefits for all of South Asia? I found that the Belt and Road Initiative, as well as previous infrastructure projects, are creating a win-win environment and providing economic opportunities for those countries that partner with China.

Due to the promises of “common development” and “win-win cooperation” that Beijing posed as the central theme of the Belt and Road initiative, the liberal argument carries the burden of proof to demonstrate evidence of economic advancement in partnering countries.¹⁸⁸ It supports the idea “what’s good for China is good for South Asia,” with clear evidence showing that there has been a significant rise in trade and bilateral investment over the past decade, such as the \$45 billion in trade and \$2.3 billion in bilateral investment that has occurred since the beginning of these infrastructure projects.¹⁸⁹ In addition, China’s investment in areas such as the volatile Baloch region of Pakistan, does demonstrate a desire to combat instability with economic growth.¹⁹⁰

Nevertheless, as countries like Sri Lanka continue to fall further into debt with Chinese banks, already between six to eight billion U.S. dollars, there is reason to argue against common development.¹⁹¹ Furthermore, realists point to the lack of growth at the local level as signs that the initiative is not developing South Asia from top to bottom. Instead, they push the narrative that Belt and Road is simply an initiative to provide China with avenues to compensate for its “Malacca Dilemma.”¹⁹²

So are there clear benefits for South Asia? Yes, the evidence that I found showed that these infrastructure projects are in fact creating trade and investment opportunities throughout South Asia. By China acting on a need to transport greater quantities of resources throughout the region, Beijing is creating market opportunities for those willing to partner with Chinese firms. The realist argument falls short when it suggests that China is responsible if these states fail to manage their debt level or properly distribute dividends down to the local level. For example, it is not Beijing’s responsibility to ensure the benefits of the CPEC are aiding the 1.3 billion inhabitants of Pakistan’s Gilgit-Baltistan territory that live below the poverty line.¹⁹³

188 “Vision and Actions on Jointly Building Silk Road Economic Belt and 21st Century Maritime Silk Road.”

189 Brunjes et al., “China’s Increased Trade and Investment in South Asia,” ix.

190 Overholt, “One Belt, One Road, One Pivot.”

191 Blazevic, “Defensive Realism in the Indian Ocean,” 60.

192 China Youth Daily quoted Storey, “China’s ‘Malacca Dilemma.’”

193 Sering, “Expansion of the Karakoram Corridor,” 19-20.

Yet, there is one specific indicator that must be observed as the projects move forward. The economic benefits to the host states will diminish if infrastructure continues to come under the operating control of Chinese firms. If the events at Gwadar, in which the China Overseas Port Holdings Company assumed control in 2013, become a trend, there will be reason to doubt China's intentions to provide a win-win environment as jobs move away from local residents and to imported Chinese nationals.¹⁹⁴

B. HOW INFLUENTIAL DOES BELT AND ROAD MAKE CHINA IN SOUTH ASIA?

Through the development of Chinese infrastructure, it is clear to both sides that China will have a greater influence in South Asian affairs. Thus, the question becomes does China's involvement in South Asia create cooperation opportunities through multilateral economic corridors or pathways for Chinese influence to spread throughout the region and dictate South Asian politics? Due to the inclusive nature of China's efforts, I found the liberal evidence best explained China's motivations.

From a liberal perspective, infrastructure has created economic corridors that are trending toward greater involvement by China in previously established multilateral institutions. Noting the potential for China to move from observer status to full member rights in SAARC, liberals argue that this demonstrates willingness on the part of China to embrace a local multilateral institution and bind itself to decisions concerned with the region's greater good.¹⁹⁵

Realist scholars counter this notion of the binding power of regional institutions and economic corridors by arguing that Belt and Road favors only those countries that maintain popular support for China.¹⁹⁶ This implies that states involved in Belt and Road will remain loyal to Beijing, and Beijing can use these relationships to further its own agenda—of which will be encroaching on India's sphere of influence.¹⁹⁷ One example is

¹⁹⁴ Small, *China-Pakistan Axis*, 101.

¹⁹⁵ Hempson-Jones, "The Evolution of China's Engagement," 720.

¹⁹⁶ Viehe, "Understanding China's Belt and Road Initiative."

¹⁹⁷ Smith, *Cold Peace*, 144.

China's recent investment in Pakistan. By showing such outward support, in the form of a \$48 billion infrastructure package, China is empowering India's greatest rival.¹⁹⁸

Nevertheless, I failed to find strong evidence that could connect the construction of infrastructure with requests by Beijing for retributions from the host state. While it might be naive to think that there would be overt evidence of such a connection, any indication of China raising such suspicions during its selection process is rejected by the fact that China has retained a strong inclusive nature about its programs. It has maintained a public policy to accept all states into Belt and Road and its multilateral institutions, to include India. Indeed, there is clearly economic competition between the two rivals, but this does not equate to China attempting to empower states that oppose India. As a result, there is greater evidence to support the idea that China's increased involvement in regional politics shows a general concern for the direction of the region, due in part to its own economic needs. Additionally, there is less evidence showing a desire by Beijing to encroach on India's sphere of influence.

C. WHAT IS THE PURPOSE OF THE PORTS?

At the center of the debate over China's motivations lies the "String of Pearls" theory. As previously addressed, this theory proposes that Beijing is funding strategically located ports on the Indian Ocean basin in order to encircle India, dominate the IOR, and expand China's sphere of influence.¹⁹⁹ Believing that there is a method to the madness, Indian scholars have made claims that China's actions are designed for the sole purpose of counterbalancing India.²⁰⁰ Offensive realists push the limits of the theory further by claiming that China's actions are consistent with phase zero operations, designed to create options to move troops and resources for future military action.²⁰¹ Overall, I found little evidence to support this theory and felt it to be based primarily on conjectures about

198 Raghavan, "Stability in Southern Asia," 139.

199 "India worries as China Builds Ports in South Asia"; Kostecka, "Places and Bases," 61.

200 Bajaj, "India Worries as China Builds Ports in South Asia."

201 McDonald, "Phase Zero," 126; Sering, "Expansion of the Karakoram Corridor," 22.

what might occur. As a result, liberal scholars provide a stronger argument by presenting evidence that directly contradicts realist speculations.

In refuting this theory, there are two specific pieces of evidence that best articulate the liberal argument. First, a research team at the National Defense University proved that all but one “pearl” was incapable of supporting major combat operations.²⁰² And second, there is little strategic advantage for China to draw forces away from its established coastal defenses in order to patrol the IOR.²⁰³ As a result, I found that most liberals agree that, “China’s ‘pearls’ appear to be what Beijing says they are: conventional shipping facilities designed to connect China’s landlocked western provinces to maritime trade routes in the Indian Ocean.”²⁰⁴ Dissenters of the theory believe that, at best, the facilities will be classified as a “Dual Use Logistics Facility” to support “non-traditional security challenges” such as counter-piracy operations, natural disaster relief, or humanitarian assistance.²⁰⁵

In my research, I was hard pressed to find any substantial evidence to prove realist motivations. Instead, it appears more likely that China is simply developing well-placed replenishment stations for its growing shipping demands in the region. In addition, there is significant merit to the argument that placing a large-scale naval force in the IOR would be a strategic mistake. It contradicts Beijing’s claims of a “peaceful rise” and detracts from its objectives in the South China Sea.²⁰⁶ Thus, while it is too soon to pass judgment on the theory, the evidence in favor of it remains skeptical at best.

D. IS CHINA CHALLENGING THE EXISTING INTERNATIONAL AND REGIONAL ECONOMIC ORDER?

The fourth aspect addressed the financial institutions associated with Belt and Road and questioned if they were an attempt to challenge the existing international order,

202 Yung et al., “‘Not an Idea We Have to Shun,’” 37.

203 Yung, “Burying China’s String of Pearls.”

204 Townshend, “Unraveling China’s ‘String of Pearls.’”

205 Yung, “Burying China’s String of Pearls.”

206 Marantidou, “Revisiting China’s ‘String of Pearls Strategy,’” 8.

which is defined by the Bretton Woods system. Known as the AIIB and SRF, these multilateral institutions were designed by Beijing to be the financial arm of Belt and Road.²⁰⁷ As previously discussed, the debate around these institutions centers on their perceived intent and ability to challenge those western-led institutions already operating in the region, such as the ADB, World Bank, and IMF. Similar to the second aspect, I found that the inclusive nature of these institutions favors liberal motivations and makes it more likely that China is simply seeking to restructure and not replace the current international order.

Realists fear that the institutions challenge western leadership by diminishing Washington's role in South Asian affairs.²⁰⁸ By operating outside a U.S. veto, Beijing is capable of pushing an agenda counter to Washington's goals.²⁰⁹ Public statements from the White House state that the U.S. has withheld its support of the institution over a lack of transparency within the organization.²¹⁰ Liberals counter this fear by arguing that China's actions are in response to needs that previous institutions have been unable to address. Through the AIIB, China is seeking to correct voting share disparity and fund a \$750 million annual infrastructure gap throughout Asia.²¹¹ In addition, liberals point to the effects of such institutions as evidence that China is binding itself to the needs of the region. By creating a system in which China is bound to a vote that consists of all South Asian states, with the exception of Afghanistan and Bhutan, there are clear voluntary limits to China capabilities inside the system.²¹²

Like many of the other realist arguments, I again found it difficult to find evidence of a narrative that was not based on speculation. While it does appear to be true that China is attempting to redevelop a system that it is less tied to U.S. opinion, there is

207 Zhiqun Zhu, "China's AIIB and OBOR."

208 Yale, "AIIB: China's 'Phase Zero Operation'?"

209 Smith, "Beware China's Grand Strategy."

210 "Remarks by President Obama and Prime Minister Abe of Japan in Joint Press Conference," *WhiteHouse.gov*.

211 Junio, "Asian Infrastructure Investment Bank."

212 Liao, "Out of the Bretton Woods"; Huang, "57 Nations Approved as Founder Members of China-led AIIB."

little evidence to show that it intends to create a system in which China itself replaces the U.S. as the controlling vote—especially since it has chosen not to seek veto power in the AIIB.²¹³ With Japan and the U.S. as the last significant hold outs, the admittance of India and other prominent regional players raises questions about the perceived fears these states might have of Beijing using these institutions to advance a Sino-centric agenda. Essentially, multilateral institutions are inclusive organizations rooted in cooperation and common development.²¹⁴ It is difficult to imagine a scenario in which China is able to manipulate a multilateral development bank to push an agenda that only benefits China.

E. CONCLUSION

To date, China's motivations are more consistent with a liberal interpretation. When judged independently, each of the four aspects show the liberal argument to be the more convincing assessment. Beginning with the notion that infrastructure advances a Sino-centric agenda, I found that there were just as many benefits for South Asia as a result of Chinese infrastructure over the past decade. In addition, this infrastructure has created an environment in which China has sought an equal relationship among all the South Asian states, and China's growing involvement in multilateral institutions demonstrates a willingness by China to be a part of the regional community.

Third, there is little evidence to support the "String of Pearls" theory, which argues that China is utilizing strategically placed, maritime infrastructure to encircle India and control Indian Ocean supply routes. Instead, it is far more plausible that these ports are used as refueling stations for the increase in Chinese shipping. Fourth, Beijing has taken great steps to ensure that its new financial institutions address the voting share disparity that it believes is an issue in the multilateral development banks of the Bretton Woods system. Coupled with Beijing's decision to decline veto power in the AIIB, these are indications of a state seeking to self-regulate its own powers and promote connectivity and common development.

213 Alain Guidetti, "Confront or Accommodate? The Maritime Silk Road Will Test U.S.-China Rivalries," *Global Asia* 10, no. 3 (2015), <https://www.globalasia.org/article/confront-or-accommodate-the-maritime-silk-road-will-test-us-china-rivalries/>.

214 Lipsy, "Who's Afraid of the AIIB."

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VI. CONCLUSION

In this thesis, I set out to assess if China's motivations behind the One Belt, One Road Initiative are more consistent with a realist or liberal lens. I conducted my research by creating a framework of four aspects that addressed the potential economic, geopolitical, or security related effects of the initiative on South Asia. The aspects challenged the ability of Belt and Road to: (1) advance China's national interests throughout the region, (2) bind China and its neighbors politically and economically, (3) create possible overseas bases, and (4) disrupt current financial institutions and the regional order within South Asia. In the process of assessing each aspect, I based the strength of each argument on its ability to answer the following four questions: (1) does infrastructure only advance China's national interest? (2) how influential does Belt and Road make China in South Asia? (3) how credible is the "String of Pearls" theory? (4) is China challenging the existing international and regional economic order in South Asia?

By evaluating evidence through realist and liberal lenses and under this framework, I found that the liberal argument was more convincing based on the quality and quantity of evidence: (1) Belt and Road infrastructure does not appear to act as roadways for delivering a Sino-centric agenda to South Asia, (2) the inclusive nature of China's programs, and its desire to join other multilateral institutions, will temper its ability to influence the region, (3) there is little evidence to support the development of a "String of Pearls," and (4) China's actions with the regional order indicate that Beijing is seeking to modify, not challenge, its multilateral institutions.

This chapter will review the findings, discuss potential events or evidence that would alter my assessment, and conclude with comments on how South Asia and the United States should engage Belt and Road based on these conclusions.

A. REVIEW OF THE FINDINGS

From the evidence presented, it should be concluded that Belt and Road is first and foremost about economic growth. As discussed in Chapter II, with the Chinese economy trending from a production based to a service based market, there is an

increasing shift toward a Chinese GDP that is supported by domestic consumption and dependent on new avenues that increase the flow of goods and resources in and out of China.²¹⁵ As demonstrated over the past decade and a half, the result of this growing demand is the need for infrastructure in a geopolitically significant region, South Asia. Based on this conclusion, the liberal narrative is more in line with this conclusion and is adequately supported by each of the four aspects reviewed.

Assuming China is simply seeking economic opportunities through Belt and Road, then there is significant reason to conclude that

1. It is beneficial for China to create a win-win environment
2. China will seek opportunities to become involved in the region and bind itself to institutions that promote growth in South Asia
3. China will not seek to tarnish its image of peaceful development by introducing military assets to this maritime infrastructure
4. In regard to multilateral institutions, China's actions are in response to global and regional changes that have occurred since the founding of the current order, and as a result, it does not seek to revise, only retool these institutions to allow a greater voice to a new set of international players.

1. Does Infrastructure Only Advance China's National Interest?

No, in the decade since China began reinvesting in South Asian infrastructure there have been clear economic gains by both China and the host nation. With trade increasing by over \$45 billion from 2006–2011, there is reason to believe that an increase in infrastructure will continue to create additional benefits.²¹⁶ In addition, if China continues to “free-ride” smaller littoral states by bank rolling significant expenses, as seen in Sri Lanka and Bangladesh, I expect that Belt and Road will continue to meet its mission of greater connectivity and a win-win environment.²¹⁷ Essentially, China's need to transport greater quantities of resources is expanding market opportunities throughout the region and creating tangible gains for South Asian states.

²¹⁵ Knowler, “So What Is China's ‘One Belt, One Road’ Thing, Anyway?”

²¹⁶ Brunjes et al., “China's Increased Trade and Investment in South Asia,” ix.

²¹⁷ Zhang Ynuling, “One Belt, One Road: A Chinese Overview.”

2. How Influential Does Belt and Road Make China in South Asia?

While there is no denying the larger Chinese footprint Belt and Road infrastructure makes on South Asia, the result appears to be an increase in cooperative opportunities designed for the betterment of South Asia. The inclusive nature of programs like BCIM and AIIB, coupled with the willingness on the part of China to join pre-existing organizations like SAARC, demonstrates a conscious choice by Beijing to invest in local multilateral institutions and bind itself to decisions concerned with the region's greater good.²¹⁸ Despite fears that these actions might be Beijing's attempt to garner enough support to begin dictating terms and directions, to this point, China has not displayed such intentions. Instead, it is more likely that China's increased interest is the result of its own economic needs, which have proven to provide benefits to the region as well.

3. How Credible Is the "String of Pearls" Theory?

Based on the strength of evidence presented by liberal scholars, I did not find the "String of Pearls" theory to be credible. Overall, the realist arguments lacked substantial evidence and appeared to be based on speculation. Instead, the liberal arguments produced stronger evidence by highlighting the following: first, all but one "pearl" is capable of supporting major combat operations, and second, there is little strategic advantage for China to gain by dividing its naval assets and moving them into range of Indian air and missile capabilities.²¹⁹ As previously stated, I concur that, "China's 'pearls' appear to be what Beijing says they are: conventional shipping facilities designed to connect China's landlocked western provinces to maritime trade routes in the Indian Ocean."²²⁰

218 Hempson-Jones, "The Evolution of China's Engagement," 720.

219 Yung et al., "'Not an Idea We Have to Shun,'" 37; Yung, "Burying China's String of Pearls."

220 Townshend, "Unraveling China's 'String of Pearls.'"

4. Is China Challenging the Existing International and Regional Economic Order in South Asia?

While realists argue that China's new financial institutions challenge existing current global and regional institutions by diminishing Washington's role in South Asian affairs, the structure and inclusive nature of these programs are better indicators that China's motivations are more consistent with a liberal lens.²²¹ Regarding the structure, with institutions like the AIIB being in a "traditional mold," it demonstrates that China accepts the benefits of the current order and only seeks to modify it, as opposed to replacing it.²²² Second, the inclusive nature of these institutions is not only voluntarily limiting China's own power in regional affairs, but also increasing the power of regional competitors, such as India.²²³ Through these new inclusive institutions, it is more likely that China will modify current institutions to better reflect the global changes that have occurred since Bretton Wood's founding 70 years ago.

B. EVENTS THAT MIGHT ALTER THESE FINDINGS

Due to the recent nature of Belt and Road and its subsequent projects, there are still opportunities for these conclusions to be reversed as the programs develop and stronger evidence presents itself. As a result, below is a summation of possible scenarios that I addressed in the thesis.

First, in regard to the benefits Belt and Road provides to South Asia, evidence of continued liberal motivations come in the form of sustained increases in trade and market opportunities between China and South Asia, to include providing jobs to local communities. While this does not mean that all growth must be equal, there cannot be evidence of significant disproportionate GDP growth between China and host countries or rising debt between host countries and Chinese banks.

²²¹ Yale, "AIIB: China's 'Phase Zero Operation'?"

²²² Huang Yiping, "Keys to 'Belt and Road' Strategy Succeeding,"; Bestani, "AIIB Can Succeed Where Its Predecessors Have Failed."

²²³ Liao, "Out of Bretton Woods."

Second, in regard to aspects two and four, as China enters into new and current multilateral institutions, it must maintain its stance on voting parity. This will include not utilizing the influence of Belt and Road to manipulate voting shares or leaning on other members to select projects that heavily benefit China. It is imperative that Beijing not be found to be utilizing these institutions to drive a Sino-centric policy in South Asia.

Finally, there must be no evidence that China is exploiting maritime infrastructure to develop overseas bases. China must hold to its public stance that they have not and will not build any overseas bases, and it must maintain a military strategy that does not seek hegemony or military expansion.²²⁴ Any indication of a militarization of the “String of Pearls” will immediately invalidate China’s argument, and I suspect, will unravel the tentative good nature between Beijing and New Delhi.

C. MOVING FORWARD: HOW SHOULD SOUTH ASIA AND THE UNITED STATES REACT TO BELT AND ROAD?

Based on the conclusion that the Belt and Road initiative is first and foremost about economic growth, the focus among all great powers involved in South Asian affairs should be to find ways to incorporate this growth into economically advantageous agreements. While the realist theory might argue that Beijing intends for this growth to be dictated by a purely Sino-centric agenda, I conclude that stronger evidence favors the belief that the interdependent nature of this initiative will drive the great powers involved to grow in a mutually beneficial and increasingly connected fashion.

Nevertheless, the motivations of a single state cannot on its own dictate either a cooperative or a confrontational outcome. As Robert Jervis argued when discussing the security dilemma, “many of the means by which a state tries to increase its security decrease the security of others.”²²⁵ Thus, by pursuing a course of action in which China gains political and economic influence within South Asia, regardless of the fact that its growth appears to be beneficial to the region, it will come as a challenge to those states already holding influence. Therefore, irrespective of China’s motivations, the perception

224 “China hasn’t any overseas military bases: Spokesperson,” English.news.cn.

225 Robert Jervis, “Cooperation Under the Security Dilemma,” *World Politics* 30, no. 2 (January 1978): 169.

and reaction of other key players within the region will dictate the outcome to the same extent. For example, if New Delhi and Washington seek to increase their own military presence over misperceived increases of PLAN escort ships, continued competitive behavior will drive a scenario counter to China's original motivations.

The greatest threat to cooperation comes from the United States seeing this program as a challenge to a geopolitical strategy that has served Washington since the end of WWII. This national strategy, that utilized military, economic, political, and cultural aspects, sought to develop the world in manner that bound it to Washington and was protected under the strength of the American military.²²⁶ Coupled with India's fear of encirclement by Chinese assets and maritime forces, Washington and New Delhi have the choice of fighting to maintain the status quo or embrace China's rise and adjust policy to support it.²²⁷

Nevertheless, by electing to involve itself in programs such as BCIM and the AIIB, New Delhi appears to be accepting of China's rise and willing to cooperate, for now and in a limited capacity. As one Indian scholar stated, "in a nutshell, India aims for the normalization of its ties with China while trying to curb China's ability to impinge on its geopolitical space and interests."²²⁸ The United States would be wise to adopt a similar strategy and extend small gestures to show that it is willing to entertain aspects of Belt and Road and cooperate under a multilateral system, even if it is one that it did not create.

This must begin with the U.S. joining the AIIB. First, if Washington is concerned over the transparency of the program, it has a far better chance of ensuring the bank, and Belt and Road, is controlled in an appropriate manner if it has a voice in the decision making process. Second, if in actuality, the reluctance is over a fear that China's rise will result in the loss of American primacy, standing on the fringes of an institution that has already attracted significant global players does not make a strong statement. Despite

226 Overholt, "One Belt, One Road, One Pivot."

227 Guidetti, "Confront or Accommodate?"

228 Raghavan, "Stability in Southern Asia," 140.

Washington's best efforts, China's growing presence in the region is on track to—at a minimum—prevent the United States from maintaining the benefits of the Bretton Woods system. If Washington continues to push for a continuation of the status quo, there is a strong chance that the relationship will spiral into a great power war.²²⁹

Finally, with New Delhi already showing signs of a desire to increase economic and diplomatic relations with Beijing, Washington must recognize the shift occurring within South Asia and take action to accommodate China without sacrificing its own voice. This begins by becoming involved in AIIB and building off common values. By recognizing China as a friend in economic affairs, it is unlikely that Washington will be forced to deal with Beijing as a foe in military affairs.²³⁰

229 Hugh White, "The China Choice: A Bold Vision for U.S.-China Relations," *Diplomat*, August 17, 2012, <http://thediplomat.com/2012/08/the-china-choice-a-bold-vision-for-u-s-china-relations/>.

230 Lipsy, "Who's Afraid of the AIIB."

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